



U.S. General Services Administration

# Agency Financial Report

## Fiscal Year 2015





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# Letter from the Administrator

**T**he General Services Administration (GSA) Fiscal Year (FY) 2015 Agency Financial Report (AFR) details our accomplishments and challenges in program and financial management over the past year. The audit opinion and financial results reported in the AFR demonstrate GSA's commitment to operational integrity and transparency as a steward of public resources.

Sixty-six years ago President Truman created GSA to fill a void in federal administrative services. Over the decades, GSA has become the backbone of the Federal Government, touching nearly every aspect of government operations and deploying our wide-ranging expertise and innovation to fulfill mission-critical tasks for our sister federal agencies.

GSA's mission is to deliver the best value in real estate, acquisitions, and technology to the government and the American people. With our acquisition expertise, information technology solutions, and modern and efficient workspaces, GSA is positioned to proactively help agencies to more successfully accomplish their missions.

With a wide range of products and services, GSA understands the buying needs of partner agencies and will help them develop cost-effective solutions. GSA is driving excellence in acquisition by applying industry best practices, organizing around categories of goods and services rather than acquisition channels. This will allow us to provide valuable acquisition advice, better contract vehicles, and a full spectrum of assisted acquisition services. We are bringing visibility to best practices and acquisition solutions through the Acquisition Gateway, a shared service for government acquisition needs, providing



a single organized platform to enable all levels of government to access tools and expertise that informs data-driven buying decisions.

As the custodian of 370 million square feet of Federal government office space, GSA can have a significant impact on workplace quality for Federal employees. This is a critical factor in maintaining high employee engagement and successful performance. By reducing and modernizing the Federal Government real estate footprint, we will establish workplaces that allow agencies to better collaborate and recruit top talent. This enables agencies to increase performance and better achieve their missions at lower cost. The cost savings achieved by reducing square footage can be invested into agencies' missions.

GSA is working to further support the communities in which we are located through acting as an economic catalyst. By engaging with communities, we can make decisions that are beneficial to the taxpayer, the federal agencies we support, and the communities in which we work.

The changing face of technology has dramatically altered the way government interacts with our agency partners, industry, and individuals. GSA is creating new tools and new approaches to better deliver these solutions. This is why we have created a workforce that can support federal agencies in developing many of the government's most innovative projects. 18F brings together a team of experts and innovators to make government's digital services more efficient and effective. Recruited from across the private and public sectors, these women and men are collaborating with federal agencies and helping them improve their digital service delivery.

Our Integrated Technology Services (ITS) provides an array of Information Technology solutions to partner agencies that collectively have helped agencies recognize cost savings. ITS is creating the next generation of innovative solutions for the government like the Enterprise Infrastructure Solutions, Alliant 2 and Alliant Small Business 2, and Government-wide Strategic Solutions for laptops and desktops.

At a time when GSA is adapting to new challenges in a difficult fiscal environment, we must make the most out of the resources at our disposal. That is why we are prioritizing operational excellence across the organization. GSA has focused on making internal operations more efficient. Our effort to realign and consolidate administrative functions are expected to generate substantial cost savings over the next few years.

Demonstrating our commitment to focusing on those services where we can provide the most value, GSA has also transitioned its financial management line of business to the U.S. Department of Agriculture (USDA). With this shift, the Federal Government's shared services offerings are simplified and improved, while GSA is able to better focus on its core mission.

As outlined in the Management Assurances Section of this report, GSA conducted its assessment of the effectiveness of internal control over operations, systems, and financial reporting. GSA provides reasonable assurance that internal controls were operating effectively in each of these areas throughout the year. Management relies on these controls to identify material inadequacies in financial and program performance areas and to identify corrective actions needed to resolve them. As required by the Reports Consolidation Act of 2000, I have assessed the financial and performance data used in this report, and believe them to be complete and reliable.

GSA is a dynamic agency that is indispensable to the working of government, and making positive change in communities across the country. This report demonstrates the commitment of the women and men of GSA to create the most efficient agency possible in order to better serve partner agencies and the communities in which we work and live.

  
**Denise Turner Roth**  
**Administrator**  
**November 10, 2015**

# How GSA Benefits **the Public**

**T**he U.S. General Services Administration was established on July 1, 1949, as a result of the Hoover Commission. The agency consolidated administrative functions across government into one organization in order to avoid senseless duplication, excess cost, and confusion in handling supplies, and providing space.

Today, GSA's Federal Acquisition Service (FAS) conducts over \$50 billion in business within the federal, state and local marketplace. GSA's Public Buildings Service (PBS) manages buildings for the federal government, a significant portfolio that included over 8,300 owned or leased buildings, more than 370 million rentable square feet of workspace, and approximately 480 historic buildings either listed in or eligible for the National Register of Historic Places (NHRP).

The mission of GSA is to deliver the best value in real estate, acquisition, and technology services. Our work in support of that mission is guided by a vision that focuses on three important principles -- Economic Catalyst, Proactive Federal Partner, and Operational Excellence.

## **Economic Catalyst**

Every day, the Federal Government's investments have an impact on the communities where we live and work. GSA is committed to working more closely with federal agencies and city officials to strategically build, lease, and consolidate in places that make the most economic sense for the surrounding community by taking into consideration transit, housing, telecommunications infrastructure and other factors. We are also working to better support small business owners by lowering the barriers to getting on schedule and ensuring they know about the opportunities that exist across government.

In FY 2014 alone, over \$30 billion passed through GSA's Multiple Award Schedules (MAS) program. To support strong business participation in supporting the Federal Government, we are working to provide opportunities for suppliers across the board, including small businesses, new entrepreneurs, and those not familiar with working with the government.

That is why GSA is exploring how we can adjust the entry requirements, and other burdens to get on the Schedule for Information Technology (IT) goods and services. The agency has piloted a Schedule 70 FAST lane program for expedited proposal review and now automatically accepts schedule price reductions from vendors.

We are also taking other steps, including evaluating the potential Transactional Data Reporting rule and related Price Reductions Clause; and exploring how we can add direct costs to Schedules.

At GSA, we understand that our real estate portfolio has a significant impact on the neighborhoods that surrounds it. In order to make a real difference in the communities where we live and work, we are working to enhance the community benefit of our real estate decisions. We are renewing our efforts to support local and regional planning and economic development goals wherever possible through our real estate portfolio decisions.

A GSA Order has been issued that outlines the criteria by which potential locations will be evaluated. GSA has identified a number of potential leases that are candidates for relocation to help drive economic growth. In addition, there are capital projects that have been identified as priorities due to their potential impact on economic growth. GSA will continue to look at upcoming projects through this lens to ensure that our real estate decisions benefit the communities around us.

## **Proactive Federal Partner**

GSA has significant knowledge about the agencies we support and it is our responsibility to use this knowledge to help them better serve the American people. By finding and taking advantage of opportunities to be a proactive federal partner, GSA helps agencies improve service delivery and increase cost savings.

By putting customers at the core of our business, GSA ensures strong service for agency customers. In order to help business lines work together toward common, customer-centric outcomes, we have created an Office of Customer Experience that works on customer issues throughout the agency. GSA is also piloting the Feedback USA initiative, an interactive real-time tool to gather feedback from users of government services. This is the kind of work that's going to create an ongoing dialogue that will generate better performance and savings by designing products aligned with customer expectations.

Furthermore, GSA is driving acquisition excellence through Category Management and the Acquisition Gateway. Category Management is a common-sense approach to manage how the government spends money. It means analyzing how the Federal Government spends \$500 billion dollars each year and putting some structure into such spending, organizing the spending into product or service categories, such as IT Hardware, Office Supplies or Professional Services, and then managing each of those categories as a strategic business unit so we can better meet federal client agency needs.

This is a major step forward for government acquisitions and the Acquisition Gateway is the tool with which we will implement it. The Gateway is a government-wide technology platform that will give acquisition professionals easy access to actionable data and acquisition tools to help federal buyers make smart choices and save time, money and administrative resources.

By better organizing the acquisitions of the Federal Government and providing better access to experts and information, GSA is assisting federal agencies to make informed acquisition decisions that will benefit the American taxpayer.

One of our most important services is providing space for our agency partners, which is why we are working on reducing and modernizing the government's real estate. Much of our agency's building portfolio was built many years ago for a different way of work. We need to adapt our spaces to the way work is being done today. That means modernizing many of our buildings, but it also means using our space more efficiently.

Open, mobile, modern workspace encourages more collaborative work, as well as helps agencies compete for top-level talent. At the same time, it creates invaluable cost-savings that can be reallocated into agencies' core mission activities.

GSA is serving as a role model of what can be accomplished in our own buildings and showing what can be done when space is used more efficiently. Today, the Total Workplace initiative allows GSA to help agencies move into new, more efficient space and assist with upfront costs. Moving forward, GSA will continue to analyze and examine our real property portfolio in order to ensure that it is being used as effectively and efficiently as possible in service of the American people.

Finally, we are committed to improving the federal government's technology. GSA has always been a government leader in helping agencies use technology, from piloting new technologies internally to helping agencies procure IT solutions to building government-wide platforms that agencies can access. GSA is helping federal agencies achieve better outcomes by showing them what's possible and providing access to acquisition solutions that can harness a 21st century approach to building new IT solutions. GSA has the experience and insights to help the government make the best decisions.

An excellent example of this approach is 18F, which now comprises a team of more than 150 developers, designers and others delivering more than 20 projects to improve the utilization of technology in the Federal Government. FAS has been busy working with GSA programs to improve contracting processes and vehicles that will result in better acquisitions and acquisition policy.

We will continue to build on this by expanding our offerings to agencies and increasing the government's ability to work with innovative companies.

## Operational Excellence

In recent years, this agency has done a great deal to improve ourselves as an organization. By collecting and relying more on data, enhancing reporting structures, and cultivating leaders, we have empowered people throughout GSA to make better decisions. This agency must continue to strive for the highest levels of operational excellence.

This agency's most important asset is a strong, diverse, and optimized workforce. GSA cannot serve the American people as an agency if we are not using everyone's diverse talents to the very best of their ability.

GSA is committed to supporting our workforce with the training and development that it needs. Enterprise-wide programs such as the Competitive Development Program and GSA Rotational Program have been created affording our employees the opportunity to cross-train within the Agency, increase collaboration, and provide future and current leaders the skills and development opportunities they require to meet GSA's evolving needs.

GSA is committed to hiring the highest quality talent to ensure long term success in meeting our mission. To this end, GSA services and mission support offices are creating robust staffing plans for FY 2016 based on workforce data and analysis to better drive hiring goals and decisions. Targeted recruitment strategies will be implemented to bring in the right people, with the right skills, in the right positions. This is also being demonstrated in entry level hiring. Initiatives such as the GSA Entry-level Program have created a consistent recruitment and training experience to build a strong foundation for the future.

We are also committed to strengthening performance management to drive outcomes. Performance management is the glue to our operations, helping employees own their development while aligning to their supervisors' expectations and GSA as a whole. Measuring, monitoring and communicating how GSA operates against planned targets and goals leads to better results for our customers and the public. That is why GSA has adopted a strategic, data-driven approach to track progress and envision what is possible for GSA moving forward.

All of this leads to strengthened employee performance plans by increasing the transparency of GSA Leadership plans and determining how these goals impact all our work. To this end, GSA has created the Office of Strategy and Performance Management to coordinate and improve the way GSA collects and leverages performance data for our employees. By applying it to our performance plans we are creating a culture throughout the organization focused on goals and measurable outcomes, all while becoming more transparent and data driven.

Finally, GSA continues the quest to ensure that data-driven decisions are at the core of our work. By making decisions based on facts and information, we are providing the American people with the highest level of service.

GSA uses the latest technology to safeguard data, works to optimize data storage and lower costs, and deploys flexible data presentation tools. This approach is empowering GSA staff at every level access to valuable information that will help them do their jobs more efficiently and effectively. At the same time, it will generate valuable benefits for GSA customers by making important data more easily accessible.

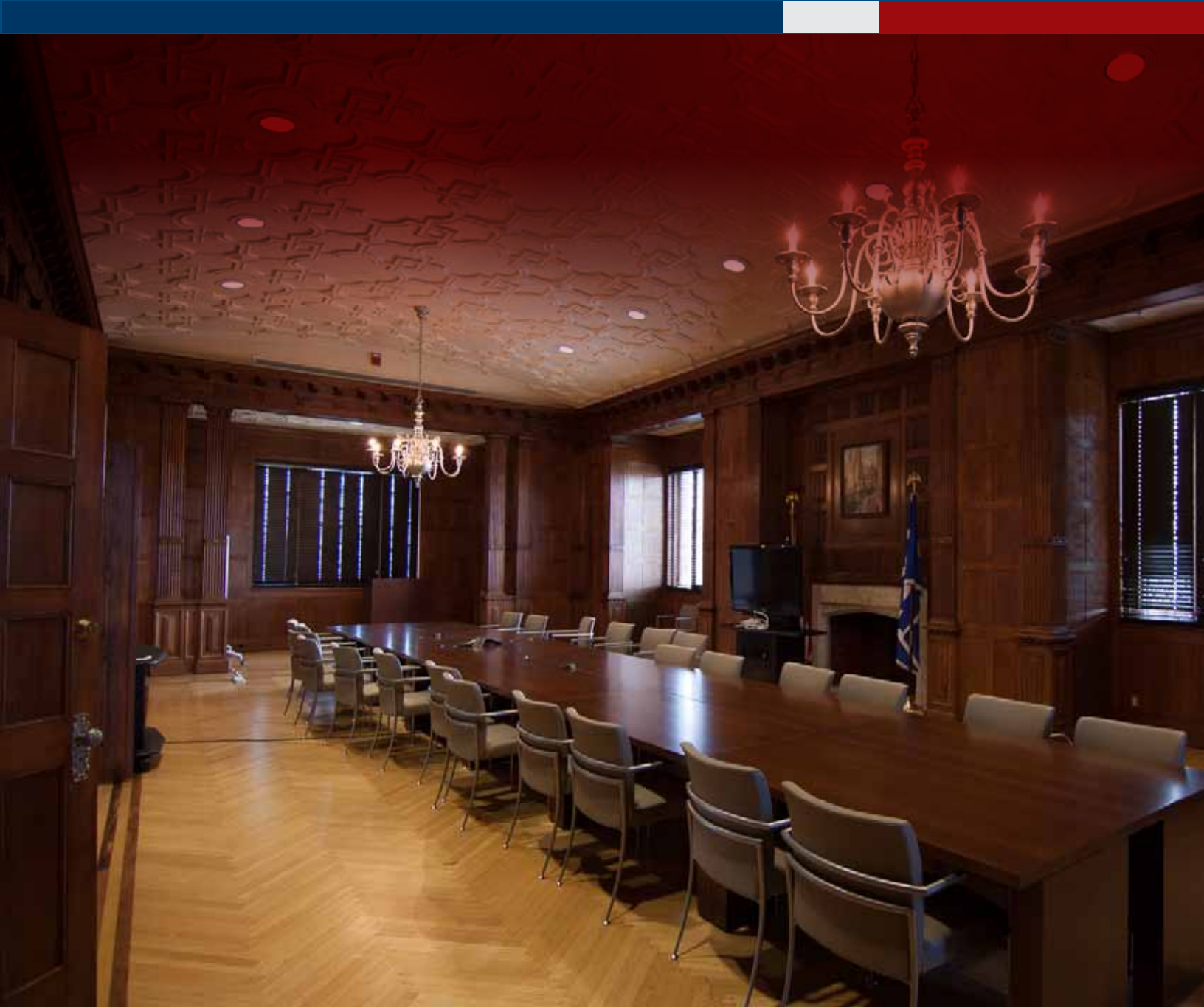
GSA has signaled a clear commitment to data-driven decision-making by joining the ranks of agencies with a clearly defined Chief Data Officer role and purpose-built teams focused on data migrations and reporting capabilities development. The agency has established avenues for cross-functional collaboration in the data management space, ensuring robustness of perspectives on security, architectural choices, and business needs across offices and levels of the organization. GSA engaged with the U.S. Chief Data Scientist and the Office of Science and Technology Policy to leverage the latest trends and promote government-wide collaboration.

Today, the mission of GSA is more important than ever before. This vision is driving our agency forward and giving us the ability to deliver savings in real estate, acquisitions, and technology services that allow agencies to focus on serving the American people to the very best of their ability.





# Management's Discussion & Analysis



# Organization

**G**SA delivers goods and services to its federal customers through 11 regional offices and the headquarters office in Washington, D.C. GSA is comprised of 16 services and staff offices supporting the 22 programs identified in the GSA program inventory available on [performance.gov](https://www.performance.gov). The primary sub-organizations of GSA are FAS, PBS, the Office of Citizen Services and Innovative Technologies (OCSIT), the Office of Government-wide Policy (OGP), 11 staff offices that support the agency, and two independent offices: the Office of Inspector General (OIG) and the Civilian Board of Contract Appeals (CBCA). For more information on these offices, please see the Description of Independent and Central Offices in the Other Information section of this report.

## **Federal Acquisition Service**

FAS provides federal agencies over 11 million different products and services, and annually delivers over \$51 billion in information technology solutions and telecommunications services, assisted acquisition services, travel and transportation management solutions, motor vehicles and fleet services, and charge cards. FAS manages over 200 thousand leased vehicles, administers a charge card program with more than 3 million accounts government-wide, and provides personal property disposal services by facilitating the reuse of \$1 billion in excess/surplus property annually. FAS leverages the buying power of the federal government by negotiating fair and reasonable prices on many products and services required by federal agencies for daily operations. By arranging a network of service providers, FAS is able to meet the operating and mission requirements

of a vast array of federal agencies and in limited circumstances state, local, and tribal governments.

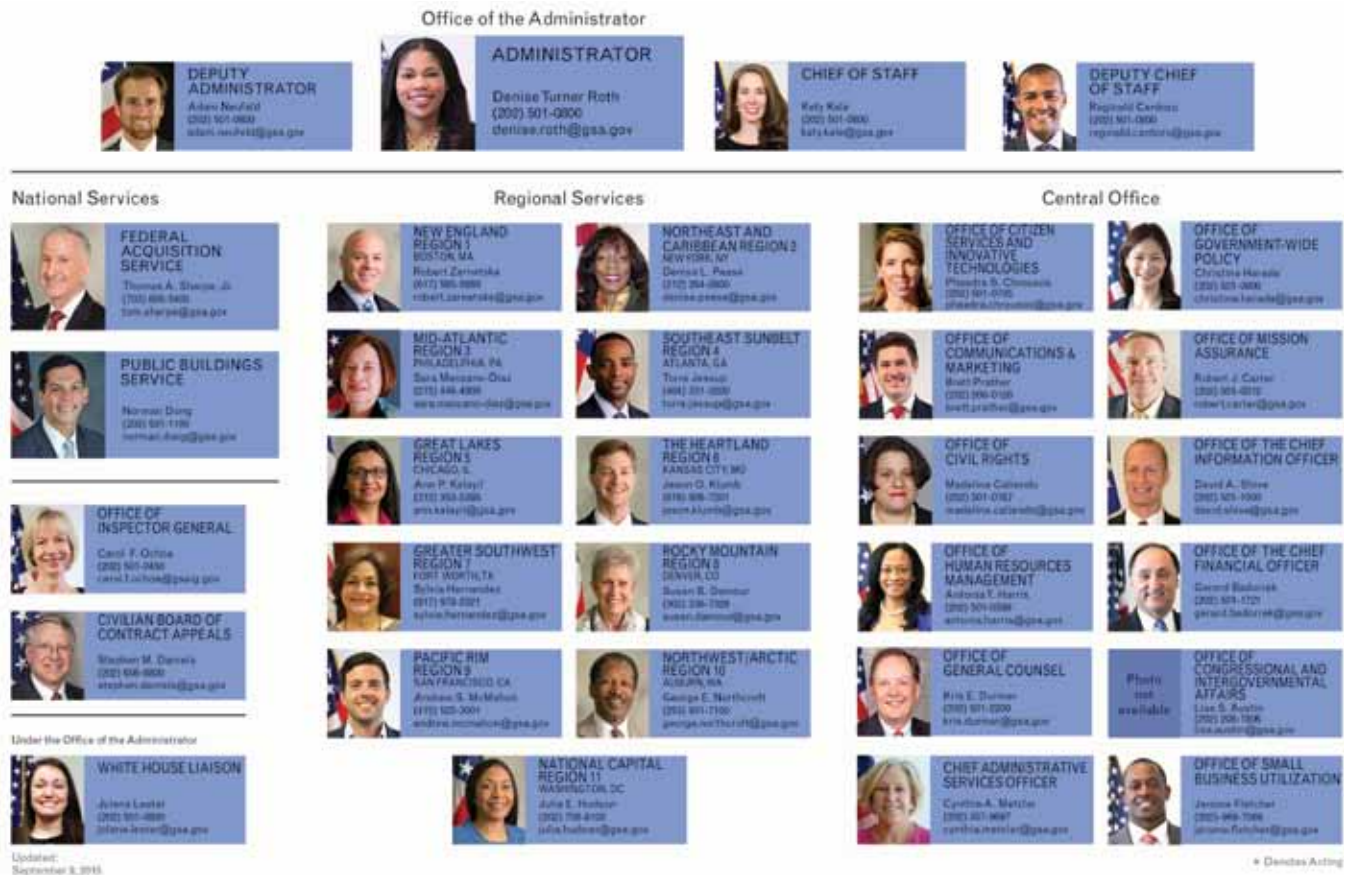
## **Public Buildings Service**

PBS activities fall into two broad areas: workspace acquisition and property management. PBS acquires space on behalf of the federal government through new construction and leasing, and acts as a caretaker for federal properties across the country. As the largest public real estate organization in the United States, PBS owns or leases 8,721 assets and maintains an inventory of more than 370 million square feet of rentable workspace for 1.1 million federal employees. Within this inventory, PBS owns 482 historic properties. PBS provides high quality facility and workspace solutions to more than 60 federal agencies, disposes of excess or unneeded federal properties, and promotes the adoption of innovative workplace solutions and technologies. Through lease, construction and purchase transactions, PBS delivers the workspace necessary to meet the respective missions of its federal customers. PBS is working with its federal customers to design the workplace of the 21st Century, seeking to reduce overall workspace needs and associated costs. These services are also coordinated to obtain the best available pricing.

## **Office of Citizen Services and Innovative Technologies**

OCSIT makes federal government information and services more readily available to the public, and makes it easier for the public to conduct transactions with the federal government. OCSIT also identifies, tests, and deploys innovative technologies for the government to provide shared, transparent and cost





effective means to disseminate information and conduct business. OCSIT provides access to a wide range of government services as well as consumer protection information through the official web portals of the federal government, USA.gov and GobiernoUSA.gov. OCSIT works closely with other government agencies – federal, state, local, and international – to collect and consolidate information and make it available to the public, sharing experiences that lead to better solutions.

### Office of Government-wide Policy

OGP uses data, analytics, and evidence-based evaluation approaches to help agencies drive efficiency, savings and improved mission performance in key administrative areas including: travel and transportation, acquisition, information technology, and green buildings. OGP helps drive agency behavior in these administrative areas through government-

wide policy-making, performance standards, analysis and benchmarking of data, and regular reporting to the agencies and key stakeholders.

### Staff Offices

The GSA staff offices support the enterprise. They ensure GSA is prepared to meet the needs of customers, on a day-to-day basis and in crisis situations. GSA has two independent staff offices (OIG and CBCA), and eleven GSA staff offices (Office of Administrative Services, Office of Congressional and Intergovernmental Affairs, Office of the Chief Financial Officer, Office of the Chief Information Officer, Office of Human Resource Management, Office of General Counsel, Office of Mission Assurance, Office of the Chief Acquisition Officer, Office of Communications and Marketing, Office of Civil Rights and the Office of Small Business Utilization).

### FTE Breakdown by Organization

In FY 2015, GSA utilized 11,131 full-time equivalents (FTE). This total represents a 3.2 percent reduction from FY 2014 and a 6.3 percent reduction from the FY 2013 total (11,885 FTE). A portion of the reduction in FY 2015 is due to the transfer of 290 FTE to USDA as directed by the Office of Management and Budget (OMB) Memorandum M-13-08, Improving Financial

Services Through Shared Services. Centralization of the administrative functions in FY 2014 led to increased FTE in staff offices offset by the corresponding lower FTE in PBS and FAS.

FTE are defined as the total number of hours worked, divided by the number of compensable hours applicable to each fiscal year. Compensable hours include leave, but not holiday and overtime hours.

	FY 2013	FY 2014	FY 2015	FTE Reduction (FY 13-15)	FTE Reduction (FY 14-15)	FY 15 % Reduction from FY 13	FY 15 % Reduction from FY 14
Staff	2,038	2,885	2,874	(836)	11	-41.0%	0.4%
FAS	3,573	3,115	2,991	582	124	16.3%	4.0%
PBS	6,274	5,502	5,266	1,008	236	16.1%	4.3%
<b>Total</b>	<b>11,885</b>	<b>11,502</b>	<b>11,131</b>	<b>754</b>	<b>371</b>	<b>6.3%</b>	<b>3.2%</b>

# Performance **Summary** and **Highlights**

**T**he GSA Mission is to deliver the best value real estate, acquisition and technology services to government and the American people.

## **Mission and Goals**

The scope of the work we do at GSA is vast and varied, but the mission is simple and to the point. We serve the government and the American people. Through implementing our mission, we aspire to achieve three strategic goals:

- **Savings – Provide savings to federal departments and agencies.** We will use our purchasing power and expertise to deliver cost-effective real estate, acquisition and technology solutions to federal departments and agencies.
- **Efficiency – Improve the efficiency of operations and service delivery.** We will streamline our operations to offer high quality real estate, acquisition, and technology services that is valuable to federal departments and agencies.
- **Service – Deliver excellent customer service.** We will deliver excellent customer service to federal agencies and departments by making it easier to reliably meet their real estate, acquisition, and technology needs

## **GSA Priorities**

**1. Delivering Better Value and Savings.** Using the purchasing power of the federal government we will reduce costs to our customer agencies, enabling them to focus on their core missions.

We're going to improve upon this by finding more ways to solve our customers' problems in the coming year. We will look for new ways to help these agencies make their purchases smarter and more efficient. At the same time, we will look for new and innovative ways to maximize the value of our real estate assets.

- 2. Serving Our Partners.** Every day the work that we do helps our customer agencies focus on their missions. Partnership on all levels is critical to the success of GSA. Strong partnerships with partner agencies and vendors alike lead to good business decisions that create value and savings for our customers and the American taxpayer. It is our commitment to ensure that doing business with GSA is an easy and reliable experience. We are continuously improving our processes and systems to make them as simple and streamlined as possible.
- 3. Expanding Opportunities for Small Businesses.** Small businesses are the engines that power the American economy. Contracting with these entrepreneurs is a win-win for both the federal government and the small business community. The government receives great service at great value, while small businesses have a great chance to grow their businesses and create jobs. GSA offers opportunities to small businesses across the country through our contract vehicles and through the contracts we award for other agencies.
- 4. Making a More Sustainable Government.** Going green saves green. Environmentally friendly practices are good for the environment and for business. GSA is committed to both. As we

work toward implementing sustainable practices and making our buildings and our fleet more environmentally-friendly, we will continue to work with vendors to make sustainable products and services readily available and affordable.

5. **Leading with Innovation.** GSA is a leader of innovation in public service. Among many firsts, we were the first government agency to move to cloud computing, setting an example for others to follow. In the coming years, we will continue to develop innovative, cost saving solutions that will be shared across the government.
6. **Building a Stronger GSA.** We must make sure our own employees at GSA are getting the same high quality support that we give our partner agencies. Offering the very best training and resources to our employees will be the cornerstone of this effort. By doing so, the agency will better serve its employees, while continuing to ensure that our customers are receiving great service. We will guarantee that when we do something, we will do it once and do it well.

### Cross-Agency Priority Goals

GSA currently contributes to the following Cross-Agency Priority Goals: Climate Change, Smarter IT Delivery, Customer Service, Shared Services, Open Data, Benchmark and Improve, Lab-to-Market, People and Culture, and Cybersecurity. Visit [performance.gov](http://performance.gov) for more information on the GSA contributions and progress towards Cross-Agency Priority Goals. .

### Agency Priority Goals

These goals identify short-term outcomes that are meaningful to the public and demonstrate progress toward achieving the GSA strategic goals. Visit [performance.gov](http://performance.gov) for more information on GSA's performance against these priority goals.

#### For Fiscal Years 2014-2015

1. **Generate savings through Federal Strategic Sourcing Initiative.** By September 30, 2015, GSA will save \$255 million (\$111 million during FY 2014 and \$144 million during FY 2015) through the use of Federal Strategic Sourcing Initiative (FSSI).

- Through the third quarter of FY 2015, GSA has achieved \$182 million of savings. GSA will not meet its aggressive performance target of \$255 million for savings associated with the use of federal sourcing initiatives. GSA will continue to promote and develop new opportunities to provide savings through strategic sourcing.

2. **Reduce the federal footprint.** By September 30, 2015, GSA will reduce the aggregate amount of leased space by 5 percent for replacement leases. GSA will also work with agencies to complete a total of 15 client portfolio plans (three new plans each year) to identify opportunities for agencies to optimize their real estate portfolios.

- GSA met its performance goals for this Agency Priority Goal. A total of 15 client portfolio plans are in place with client federal agencies. Total reduction in square feet in replacement leases was 24 percent in FY 2015 and 16 percent in FY 2014 demonstrating strong commitment by federal client agencies to reduce their federal footprint when establishing new leases for office space.

#### For Fiscal Years 2016-2017

1. **Generate savings through acquisition programs.** By September 30, 2017, FAS will save \$9.5 billion (\$4.7 billion during FY 2016 and \$4.8 billion during FY 2017) through its programs that provide goods and services to the federal government. FAS will achieve savings through steady growth of currently established programs and new initiatives that align with the future goal of the federal government (FY2016/2017 targets are currently preliminary).
2. **Increase the use of the Acquisition Gateway to improve federal purchasing decisions.** By September 30, 2017, GSA will increase the number of federal users of the Acquisition Gateway to 14,000 from a baseline of 1,000 in FY 2015 and the number of federal agencies accessing the Acquisition Gateway to 34, from a baseline of 15 in FY 2015.

- 3. Generate savings by negotiating 55 percent of leases at or below market rates.** GSA will generate savings for taxpayers by negotiating 55 percent of the lease office space agreements at or below market rates in FY 2016 and FY 2017.

### Agency Performance Goals

This section provides an overview of GSA's performance against strategic goals. A complete analysis of GSA's successes and challenges related to FY 2015 performance targets will be included in the Annual Performance Report.

**Savings – Provide savings to federal departments and agencies.** GSA uses our purchasing power and expertise to deliver cost-effective real estate, acquisition and technology solutions to federal departments and agencies.

PBS made significant progress in many areas of providing savings to federal departments and agencies. In major real estate markets, where market comparisons can be reliably assessed,

GSA achieved marked improvement in negotiating leases below the market value (using present value analysis for the lifetime of the new leases). Likewise, GSA's FAS is expected to meet its ambitious target to reduce Global Supply blended markup for the first time. Moving from a warehouse to direct delivery business model has had a positive impact on markups and corresponding cost avoidance for federal client agencies.

GSA did not meet its targets for FSSI savings, even though another \$112 million dollars in savings was achieved this fiscal year through August. GSA will report combined savings for its acquisition programs as an agency priority goal over the next two years. GSA's Acquisition Gateway will help agencies select acquisition tools developed by agencies across government as well as GSA solutions to efficiently make smart acquisition decisions. GSA met its goals for promoting environmental sustainability in the federal government (percent of products and services in schedules that are "green" and the ongoing commitment towards buying alternative fuel vehicles for its fleet). While GSA's vacancy rates in office

PERFORMANCE INDICATOR	FY 2013	FY 2014	FY 2015 Target	FY 2015	Status
Global Supply blended markup	24.7%	27.1%	17.0%	14.8% <sup>1</sup>	Expect to meet target
Cost of lease space relative to market rates	-6.9%	-8.4%	-2.5%	-13.7%	Target met
FSSI savings in millions	\$108.0	\$98.4	\$144	\$112.3 <sup>3</sup>	Expect to miss target
Integrated Technology Service cost savings in billions	\$1.37	\$1.16	\$1.17	\$1.25	Target met
Agencies with completed Customer Portfolio Plans	9	12	15	15	Target met
Percent of vacant space in inventory	3.8%	3.6%	3.2%	3.4%	Target not met
Percent green business volume	4.7%	10.5%	8.0%	8.8% <sup>2</sup>	Expect to meet target
Alternative fuel vehicles purchased	82.0%	80.9%	80.0%	82.8% <sup>3</sup>	Target met

<sup>1</sup>Results based on September unadjusted financial statements

<sup>2</sup>Results through July 2015

<sup>3</sup>Results through August 2015

space remain much better than what is experienced in the private sector, GSA's vacancy rate remained slightly above its ongoing performance target of 3.2 percent. As GSA works with client agencies to help them realize their space utilization goals, GSA expects achieved vacancy rates to remain stable since many agencies will move into new office space to meet their needs, which in turn will lead to more short-term vacancies.

**Efficiency – Improve the efficiency of operations and service delivery.** GSA has streamlined its operations to provide high quality real estate, acquisition, and technology services at the best value to federal departments and agencies.

GSA achieved excellent progress in improving the efficiency of its operations and service delivery in FY 2015. Performance targets were exceeded for on-time delivery of real property capital construction projects and for market competitive costs for building operations and maintenance. GSA also exceeded cost reduction performance targets for information technology spend and total agency indirect costs. GSA also reduced its total operating costs by six percent, but did not meet its goal of lowering the percent of operating cost to total revenue. Since FY 2010, GSA's operating cost has been lowered by 3.9 percent; however, revenue has declined by 11.2 percent. Lower revenue can be partially attributed to tighter federal client agency budgets.

PERFORMANCE INDICATOR	FY 2013	FY 2014	FY 2015 Target	FY 2015	Status
Capital projects on schedule	89.0%	97.0%	90.0%	98.0%	Target met
Cleaning and maintenance costs within market range	72.0%	70.0%	80.0%	83.0% <sup>1</sup>	Expect to meet target
Total operating costs as a percentage of total goods and services provided	9.6%	9.9%	9.2%	9.7%	Target not met
Reduction in total GSA indirect costs from the FY 2010 baseline	\$132 million	\$190 million	\$210 million	\$407 million	Target met
GSA information technology cost reduction from FY 2014 baseline	n/a	n/a	8.0%	8.6%	Target Met

<sup>1</sup>Results through August 2015



**Service – Deliver excellent customer service.** GSA strives to deliver excellent customer service to federal agencies and departments by making it easier for them to meet their real estate, acquisition, and technology needs.

GSA met most of its performance targets for service in FY 2015. Office tenants reported higher levels of satisfaction with building services, small business participation increased for MAS business volume, and new digital government-wide shared services were developed for agencies to utilize. The new digital shared services will improve cyber security, responding to questions and requests from the public concerning federal data sets hosted by data.gov, and provide user friendly guides to using open source code repositories. GSA established Vote.USA.gov to help citizens register to vote; Vote.USA.gov provides quick access to 23 states that currently accept online registrations.

GSA did not meet its target for improving customer loyalty ratings for acquisition solutions. The survey methodology used in FY 2015 was not consistent with methodologies used in prior fiscal years. Therefore, a comparison to prior year performance and the target for FY 2015 are not necessarily indicative of decreased customer loyalty. GSA is taking steps to improve customer service through innovations such as the Federal Acquisition Gateway that provides a one-stop resource where acquisition specialists can access and compare acquisition vehicles for making cost effective purchasing decisions. GSA is also reorganizing its acquisition services around product and service categories to promote expertise and awareness of federal client and supplier needs. To this end, GSA is developing a new supplier satisfaction survey to help suppliers efficiently provide products and services to the federal government at a good value to the American taxpayer.

PERFORMANCE INDICATOR	FY 2013	FY 2014	FY 2015 Target	FY 2015	Status
Tenant satisfaction with government-owned and leased space	63.0%	61.0%	63.0%	63.0%	Target met
Customer loyalty for acquisition services (10-point scale)	7.6	7.4	7.8	7.1 <sup>1</sup>	Target not met
Percent of MAS business volume coming from small businesses	34.7%	37.1%	33.0%	38.2% <sup>2</sup>	Expect to meet target
New digital government-wide shared services	5	5	5	8	Target met
Active citizen touch points in millions	416	425	433	499	Target met

<sup>1</sup>New survey methodology adopted in FY 2015

<sup>2</sup>Results through August 2015

# Financial Statements **Analysis** and **Summary**

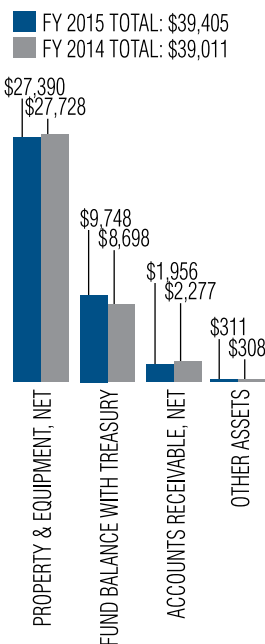
**K**PMG LLP issued an unmodified opinion on GSA's FY 2015 financial statements. Agency management is accountable for the integrity of the financial information presented in the financial statements. The financial statements and financial data presented in this report have been prepared from GSA accounting records in conformity with Generally Accepted Accounting Principles (GAAP) as prescribed by the Federal Accounting Standards Advisory Board (FASAB). The Consolidated Statements of Net Cost presents, by major program and activity, the revenues and expenses incurred to provide goods and services to our customers.

## Consolidated Financial Results

### GSA Assets

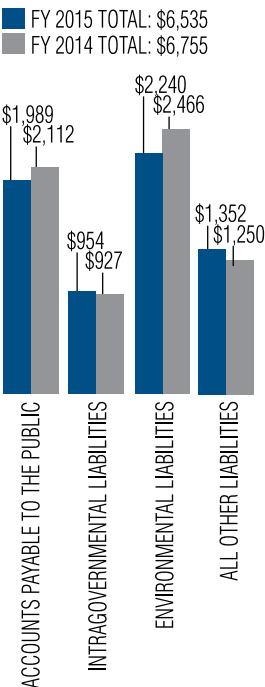
GSA assets primarily include: Property, Plant, and Equipment (PP&E) such as federal buildings, motor vehicles, and office equipment; Fund Balance with Treasury (FBWT); and debts owed to GSA from federal agencies and the public, mostly from sales transactions or uncollected rent (Accounts Receivable). In FY 2015 GSA reported Total Assets of \$39.4 billion compared to FY 2014 Total Assets of \$39.0 billion, representing a net increase of approximately \$394 million. Significant changes in assets include an increase in the overall FBWT of \$1 billion, due almost entirely to very positive earnings in the Federal Buildings Fund

### Assets in millions



(FBB), which improved due to reduced spending against

### Liabilities in millions



prior American Recovery and Reinvestment Act (ARRA) funding, as well the elimination of debt financing commitments that resulted from the FY 2014 retirement of long-term debt. Also, the value of GSA owned buildings increased by almost \$1.3 billion. This increase was mostly due to the transfer of approximately \$1.1 billion from Construction-in-Progress (CIP) to the Buildings account. GSA has experienced a decline in overall funding for building investments, particularly as past ARRA-funded projects are being completed, which is resulting in reduced volumes of ongoing construction and alteration activities.



## GSA Liabilities

GSA liabilities are primarily amounts owed to commercial vendors for goods and services received but not yet paid (Accounts Payable), amounts GSA owes to other federal entities, and long-term estimates of future environmental remediation costs. In FY 2015, Total Liabilities were \$6.5 billion; a net decrease of \$220 million compared to FY 2014 Total Liabilities of \$6.8 billion. This decline is primarily attributable to the following three items. The first is mostly attributable to a \$226 million decrease in the estimated future cost of Environmental and Disposal Liabilities. The second is the reduction of \$123 million in accounts payable from the Public and this is mostly attributable to sizable reductions in Acquisition Services Fund (ASF) business volume due to cutbacks in orders and the accompanying services. Lastly, the decreases in liabilities were somewhat offset by \$42 million in increased liabilities resulting from discontinued operations in the ASF.

## GSA Revenue

The Consolidated Statements of Net Cost presents, by major program and activity, the revenues and expenses incurred to provide goods and services to our customers. GSA reported \$19.5 billion in revenue during FY 2015 compared to \$20.1 billion reported in FY 2014, a decrease of \$593 million. Changes in revenues were most notable in the ASF, which experienced a \$585 million reduction. FY 2015 Expenses were \$19.2 billion compared to FY 2014 Expenses of \$20.3 billion, a decrease of \$1.0 billion. Net Revenue from Operations was \$243 million, a \$443 million increase compared to FY 2014, when Net Cost exceeded Revenues from Operations of \$200 million. The largest changes in net operating results are due to improvements in FBF results of \$724 million, offset by decreased net results of \$182 million in the ASF. Changes in FBF and ASF net results are discussed further below.

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## Financial Results by Major Fund – Federal Buildings Fund

The FBF is the primary fund of the PBS. PBS provides workplaces for federal agencies and their employees. FBF is primarily supported by rent paid to GSA from other federal entities. Operating results are displayed on the Consolidating Statements of Net Costs, segregated into the two primary components of Building Operations – Government Owned, and Building Operations – Leased.

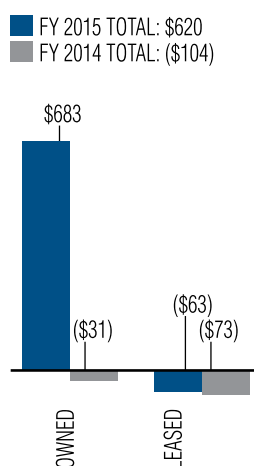
FY 2015 FBF gross revenue is \$11.4 billion, with over half of the revenue generated from five federal customer agencies as shown in the “FBF Top 5 Federal Customers” table.

FBF Top 5 Federal Customers	Revenues (\$ in Millions)	% of Total Revenues
Department of Justice	\$ 1,875	16%
Department of Homeland Security	\$1,832	16%
Federal Judiciary	\$ 1,166	10%
Social Security Administration	\$833	7%
Department of the Treasury	\$ 748	7%

## FBF Net Revenue from Operations

FBF Net Revenue from Operations represent the amounts remaining after the costs of operating GSA owned and leased buildings are subtracted from revenue. Net Revenue from Operations are used to invest in major repairs and alterations (R&A) to federal buildings and to partially offset costs of constructing new federal buildings.

### FBF Net Revenues from Operations in millions



Revenues and expenses in the FBF are primarily from building operations and rent. PBS also operates a Reimbursable Work Authorization (RWA) program, which provides customer agencies with alterations and improvements in GSA space, above what is specified in the base rental agreement.

The FBF reported net revenues in excess of expenses of \$620 million in FY 2015 compared to net costs exceeding revenue by \$104 million in FY 2014, representing an increase of \$724 million. While the net operating results were up significantly, the primary cause was decreases in estimates of the long-term cost

of environmental liabilities, totaling \$226 million, due to changes in the amount of building space requiring cleanup, and updates to cost factors used in the methodology for estimating future cleanup costs. Comparatively, environmental liability expenses recognized in FY 2014 totaled \$512 million, a change of \$738 million between

the two years. These estimated environmental liabilities are generally classified as retirement obligations, which will be liquidated either over the life of the associated buildings, or at final disposal or demolition of the buildings. While changes for re-estimates of these long-term liabilities are recognized each year in the results of operations, the rental rates for associated buildings are designed to recover such costs over time, similar to funding for capital improvements for building alterations and improvements so that resources are available from year-to-year, as needed. This variation of immediate cost recognition compared to revenue generation over time can periodically create substantial differences in net operating results, as was seen between FY 2015 and FY 2014.

## FBF Obligations, Outlays and Collections

In the FBF, obligations are primarily the value of contracts awarded to commercial vendors for the construction of new federal buildings; for repairs and alteration, cleaning, utilities and other maintenance of GSA-owned federal buildings; and lease and related payments to commercial landlords for space leased by GSA for federal agencies.

FBF Obligations Incurred has increased by \$238 million between FY 2015 and FY 2014. Gross Outlays decreased by \$200 million during FY 2015. FY 2015 outlays were lower mostly due to the continued depletion of funding received through the ARRA for new construction and building alterations. Offsetting Collections have decreased by \$240 million, which represent revenues collected from other federal agencies that offset expenditures made by GSA, as the square footage of building space under lease have been reduced and agencies reduce their overall space requirements.

FBF Obligations and Outlays (Dollars in Millions)	FY 2015	FY 2014	Change (\$)	Change (%)
Obligations Incurred	\$10,987	\$10,749	\$238	2.2%
Gross Outlays	\$10,467	\$10,667	\$(200)	-1.9%
Offsetting Collections	\$11,464	\$11,704	\$(240)	-2.1%

## Financial Results by Major Fund — Acquisition Services Fund

The ASF, the primary fund of the FAS, is a revolving fund that operates from the reimbursable revenue generated by its business portfolios rather than from an appropriation received from Congress. FAS business operations are organized into four business portfolios based on the product or service provided to customer agencies: General Supplies and Services (GS&S); Travel, Motor Vehicles, and Card Services (TMVCS); Integrated Technology Services (ITS); and Assisted Acquisition Services (AAS). By leveraging the buying power of the federal government, FAS consolidates requirements across multiple agencies and uses its acquisition expertise in order to acquire goods and services at lower prices.

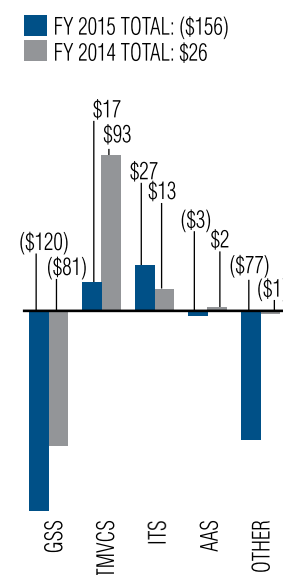
In FY 2015, the ASF realized \$8.2 billion in revenues. The majority of revenues were from the five agencies shown in the “ASF Top 5 Federal Customers” table, with over half of sales revenue generated from Department of Defense agencies.

### ASF Net Revenues from Operations

ASF Net Revenue from (Cost of) Operations represent the amounts remaining after the costs of goods and services sold and FAS operating expenses are subtracted from revenues earned during the year. Net Revenues from Operations are used to invest in the GSA Fleet, IT systems, other investments to improve FAS service levels, and to comply with regulatory and statutory requirements. The ASF reported net cost in excess of revenues of \$156 million during FY 2015, \$182 million less than FY 2014 net revenue in excess of cost of \$26 million. The most significant

reduction in net operating results is attributable to the discontinued GS&S operations. The closure of a large inventory depot on December 31, 2014 resulted in the recognition of \$49 million in expenses associated with the rent liability for the remaining lease term. Additional costs associated with discontinued operations include employee separation expenses, inventory and fixed asset write-offs, and accelerated amortization on leasehold improvements. Beyond the GS&S portfolio, reduced revenues were experienced across the major ASF activities. AAS, the largest ASF portfolio, saw revenues drop over 9 percent, as orders for its services were significantly reduced. This reduction in orders was seen from Defense agencies, the portfolio's largest customer base. TMVCS revenues were also significantly reduced, attributable to a significant rate reduction implemented to reflect decreased petroleum cost, as well as a later than usual vehicle acquisition cycle which reduced vehicle sales proceeds. Under the category of smaller Other

### ASF Net Revenues from Operations in millions



ASF Top 5 Federal Customers	Revenues (\$ in Millions)	% of Total Revenues
Department of Defense	\$ 4,656	57.0%
Department of Homeland Security	\$ 562	7.0%
Department of Agriculture	\$ 431	5.0%
Department of Justice	\$298	4.0%
Department of Health and Human Services	\$275	3.0%

Programs, costs increased \$90 million, with significant expenses incurred in support of the Integrated Award Environment activities and the Common Acquisition Platform, for program investments such as software license acquisitions, and application design and implementation. The bulk of the increased costs were funded through the use of prior-year retained earnings rather than new reimbursable agreements with other federal agencies, resulting in the net cost exceeding revenues by \$77 million for the Other Programs category.

### ASF Obligations, Outlays, and Collections

ASF obligations and outlays are primarily driven by contracts awarded to commercial vendors, who provide goods and services in support of the ASF portfolios. Obligations Incurred decreased by \$244 million between FY 2015 and FY 2014, mostly due to lower business volume with military customers in the AAS programs and fewer purchases of motor vehicles for the GSA Fleet program in TMVCS. Lower business volume also contributed to the decline in Gross Outlays and Offsetting Collections.

ASF Obligations and Outlays (Dollars in Millions)	FY 2015	FY 2014	Change (\$)	Change (%)
Obligations Incurred	\$10,514	\$10,758	\$(244)	-2.3%
Gross Outlays	\$9,886	\$10,183	\$(297)	-2.9%
Offsetting Collections	\$9,888	\$9,910	\$(22)	-0.2%

#### Limitations of Financial Statements

The principal financial statements report the financial position and results of GSA operations, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from GSA books and records in accordance with GAAP for federal entities and the format prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.

# GSA Management **Assurances**

## Statement of Assurance

**T**he U.S. General Services Administration management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act.

GSA conducted its assessment of internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, GSA provides reasonable assurance that its management internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations were operating effectively in their design and operation as of September 30, 2015.

GSA conducted its limited-scope assessment of the effectiveness of internal controls over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circular A-123 Appendix A. Based on the results of this assessment, GSA provides reasonable assurance that internal controls over financial reporting were operating effectively as of September 30, 2015.

GSA initiated a transfer of its Financial Management Line of Business and successfully transitioned Phase I support on March 22, 2015 to the United States De-

partment of Agriculture. As we fully complete this transition, GSA will further review our controls and transition plans. GSA management acknowledges performance challenges exist in its administration of the Army Child Care Program although this issue does not materially affect the Agency's financial statements.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management systems requirements, federal accounting standards promulgated by the Federal Accounting Standards Advisory Board, and the U.S. Standard General Ledger (USSGL) at the transaction level. In addition, OMB Circular A-123 Appendix D requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management systems requirements, federal accounting standards, and the USSGL. GSA assessed its degree of substantial compliance by utilizing the FFMIA Risk Model. GSA financial management systems were found to substantially comply with FFMIA as of September 2015.

  
**Denise Turner Roth**  
**Administrator**  
**November 10, 2015**

# GSA Management and **Internal Control Program**

## **Federal Managers' Financial Integrity Act (FFMIA) Section 2**

The FMFIA requires agencies to establish internal control and financial systems that provide reasonable assurance that the three objectives of internal control are achieved:

- Effectiveness and efficiency of operations;
- Compliance with applicable laws and regulations; and
- Reliability of financial reporting.

FMFIA requires that the head of the agency, based on evaluation, provide an annual Statement of Assurance on whether the agency has met these requirements. OMB Circular A-123, Management's Responsibility for Internal Control, implements the FMFIA and defines management's responsibility for internal control in federal agencies. FMFIA also requires agencies to establish internal controls over their programs, financial reporting, and financial management systems. GSA internal control reviews are conducted for agency program components. The goal of these reviews are to identify and mitigate significant risks in a timely manner. These reviews also ensure that audit findings are responded to in a timely and effective manner and corrective action plans are implemented. GSA evaluates assurance on the effectiveness of the internal control over operations, management systems, and financial reporting for FY 2015 with consideration to all internal and external reviews of the agency. The "Summary of GSA's Financial Statement Audit and Management Assurances" table is provided in the "Other Information" section of this report.

In FY 2015, GSA continued to strengthen management practices and internal controls to assure the integrity of its programs, operations, business and financial management systems. This effort included an increased focus on risk management and risk analysis on all programs. GSA successfully completed all the requirements of "OMB Circular A-123"; the Office of Federal Procurement Policy's Memorandum entitled, "Conducting Acquisition Assessments under OMB Circular A-123"; the "FMFIA"; "OMB Circular A-123 Appendix D, Compliance with Federal Financial Management Improvement Act (FFMIA); and the "Federal Information Security Management Act (FISMA)" as the foundation of effective management operations and internal controls.

In FY 2015, the Procurement Management Review (PMR) Division and the Office of the Chief Financial Officer A-123 Internal Control Review team conducted parallel financial and acquisition reviews across the agency. PMR reviews assessed the effectiveness of internal controls over procurement management. By analyzing activities from both an acquisition and financial perspective, GSA addressed control issues that involved financial and acquisition functions. Any identified control deficiencies are tracked through a database application and monitored for timely and accurate implementation of corrective actions.

Overall, the Internal Control Program at GSA is functioning soundly and GSA can provide reasonable assurance that its internal control over financial reporting is operating effectively and that there are no material weaknesses relating to the design or operation of internal control over financial reporting.

## Federal Managers' Financial Integrity Act Section 4

GSA evaluates its financial management systems annually for compliance with federal financial management systems requirements, applicable federal accounting standards, and USSGL recording and reporting requirements. In FY 2015, GSA

evaluated its financial management systems controls and compliance by completing systems certification and accreditation reviews as part of the agency security assessment and authorization on Pegasys, the agency core financial system, submitting required Office of the Chief Information Security Officer (OCISO) reports and obtaining authorization to operate, conducting OMB Circular A-123 reviews,

### FMFIA Annual Assurance Process



and evaluating risk indicators contained in the FFMIA Compliance Risk Model. GSA also reviewed pertinent audit reports issued in FY 2015, remediated all but one of the prior year Statement on Standards and Attestation 16 audit recommendations, and discussed the details of pertinent systems-related control issues with senior managers and auditors. The remaining open recommendation is scheduled to be completed in the first quarter of FY 2016.

In FY 2015, improvements were made to strengthen GSA IT systems controls in the areas of continuous monitoring and automated logging & monitoring. GSA will continue to implement and enhance controls in these areas, and the automated tools will provide improved vulnerability management capabilities as well as near real time reporting on system inventories and risk posture.

In assessing compliance with FFMIA, GSA adheres to the implementation guidance provided by OMB and considers the results of GSA OIG and Government Accountability Office (GAO) audit reports, annual financial statement audits, FISMA compliance reviews, risk assessments, and other systems-related review and monitoring activities. Based on all information assessed, the administrator has determined that GSA financial management systems are in substantial compliance with FFMIA requirements for FY 2015.

## **Federal Information Security Management Act**

FISMA requires federal agencies to implement a mandatory set of processes and system controls designed to ensure the confidentiality, integrity, and availability of system-related information. The processes and systems controls in each federal agency must follow established Federal Information Processing Standards, National Institute of Standards and Technology standards (NIST), and other legislative requirements pertaining to federal information systems, such as the Privacy Act of 1974.

To facilitate FISMA compliance, GSA maintains a formal program for information security management focused on FISMA requirements, protecting GSA IT resources, and supporting the GSA mission. This program consists of policies, procedures, and processes to mitigate new threats and anticipate risks posed by new technologies.

Designated GSA information system security managers and information system security officers implement information security requirements in accordance with FISMA requirements and GSA policies.

GSA continues to address weaknesses identified in its Plan of Action and Milestones. GSA annually provides security and privacy awareness training for over 15,000 employees and contractors. Privacy Impact Assessments were completed on all applicable systems. GSA continues to implement and mature a continuous monitoring program in accordance with NIST, Department of Homeland Security (DHS), and OMB direction.



## Financial Management Systems Framework

The Chief Financial Officers Act assigns responsibilities for planning, developing, maintaining, and integrating financial management systems within federal agencies.

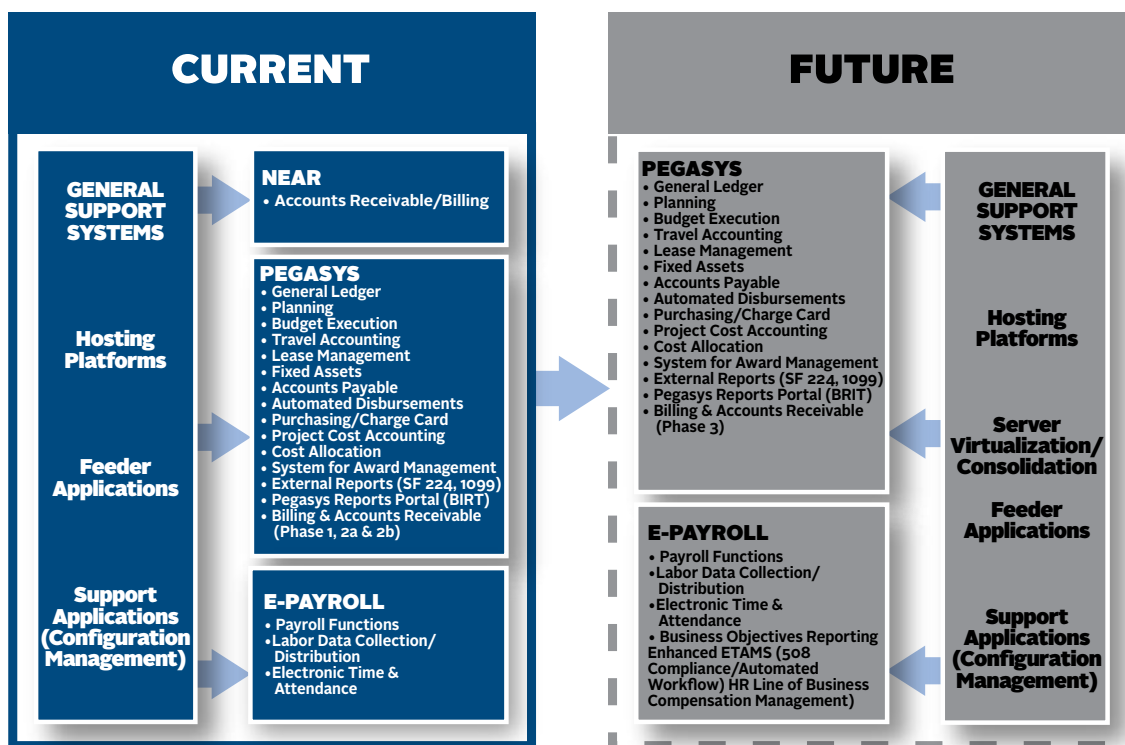
As depicted on the Financial Management Systems Framework chart below, GSA currently maintains a core accounting system, Pegasys; E-Payroll applications; portions of its legacy core accounting system, and general support systems, which operate, on a variety of hosting platforms to support various feeder applications.

In FY 2015, GSA continued its progress in financial systems modernization and improvement in support of this financial management systems framework. To achieve its strategic goals GSA will continue efforts to:

- Streamline, consolidate, and modernize financially oriented general support systems
- Complete the transfer of financial system ownership to USDA

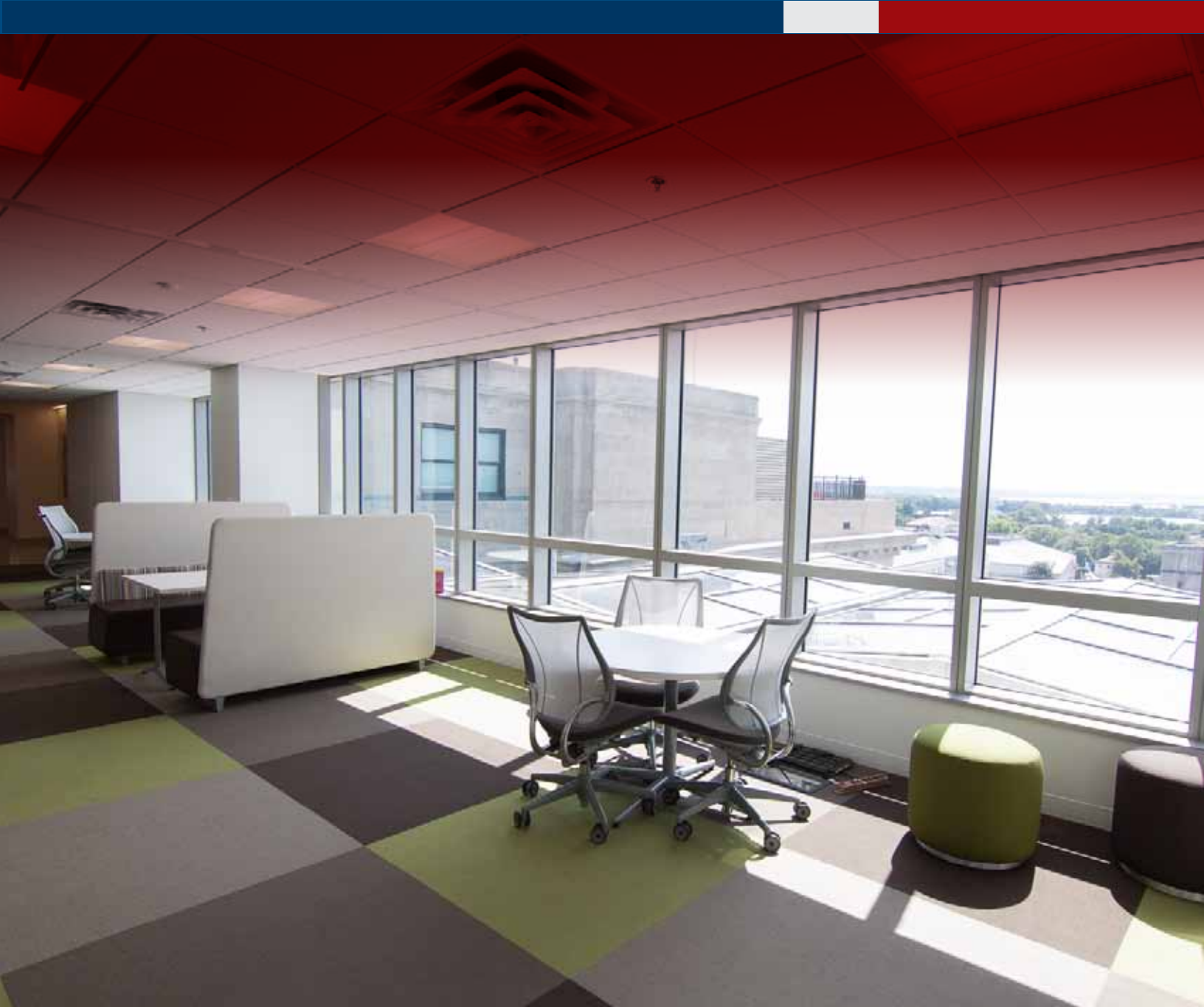
These strategies support GSA financial management system goals of reducing financial system operating and maintenance costs, and enhancing compliance and IT security controls.

## Financial Management System Framework





# Financial Section



# Letter from the Chief Financial Officer

**O**n behalf of the United States General Services Administration, I am pleased to provide the fiscal year 2015 Agency Financial Report. The AFR represents the culmination of our financial management community's efforts to accurately track and disclose GSA's financial status, and to ensure that the agency continues to act as a good steward of public funds. I would like to sincerely thank all GSA financial management personnel for their dedication, diligence, and excellent work in compiling this report, and throughout the year.

During FY 2015, the Office of the Chief Financial Officer (OCFO) pursued an aggressive transformation strategy to ensure more effective and efficient oversight of GSA's finances. Our approach focused on the three core elements of management: organizational structure; business processes and technology; and capabilities / services. I am proud to report that significant progress has been made in executing our transformation strategy, resulting in substantial improvements across all three focus areas (as detailed in the following sections). OCFO's three key achievements for FY 2015 include:

- Designed and implemented the migration of Financial Management Line of Business (FMLOB) services in a compressed timeframe of six months, including transitioning nearly 300 positions to the shared service provider. OCFO has also successfully collaborated with GSA IT to complete the migration of core financial systems.
- Deployed the OCFO reorganization strategy, creating functionally-aligned organizations that maintain



business unit focus to promote greater accountability, effectiveness, and efficiency in operations.

- Enhanced the enforcement of OCFO internal controls by modifying the audit remediation approach. The OCFO made significant strides in collaboration with other GSA organizations to correct the root cause of prior year audit findings, resulting in the elimination of a prior-year material weakness.

## Organizational Structure

### OCFO took aggressive action in FY 2015 to improve organizational structure.

- OCFO Central Office was restructured to consolidate core financial functions into single offices. The new Office of Budget, Office of Business and Financial Analytics, Office of Financial Management, Office of Strategic Planning and Performance Management, and Office of Regional Financial Services were launched in June 2015 to focus accountability for performance on individual leaders, and to remedy structural impediments resulting from past migrations of staff from business line organizations. Our new structure will enable more efficient service delivery to our customers and decrease the number of handoffs in our key business processes.
- PBS and OCFO collaborated on a design and reorganization strategy for regional financial services. To mitigate the collective action problem of managing 11 different regions, OCFO's reorganization strategy consolidates into four geographic zones with supervisory and oversight functions for PBS regional financial services. Beginning in FY 2016, the reorganization strategy standardizes divisional structures within the four zones to drive consistency in business processes and the application of financial controls. A new division – the Financial Management Division – will be established in each Zone to promote greater oversight of internal controls, increase audit response and support, and collaborate with the Central Office – Office of Financial Management, which is currently tasked with enterprise-level management of the audit response, internal controls, and corrective action planning.

## Business Processes And Technology

### OCFO implemented key business process and systems improvements to increase the efficiency and effectiveness of financial operations and controls.

- Leveraging the newly optimized organizational structure, OCFO is improving the consistency of enterprise-wide financial processes and the accuracy of financial and budgeting data through process redesign and systems implementation initiatives. The

Office of Budget has achieved a more streamlined budget formulation process through implementation of the Financial Planning Application (FPA) and the design of governance processes that ensure consistent budget deliverables and timelines across GSA.

- After receiving the results of the KPMG external audit, OCFO senior management took a more proactive approach to address and correct audit findings. The Office of Financial Management worked closely with the Management Control Oversight Committee (MCOC), which includes senior leaders from PBS, FAS and GSA IT. The MCOC created a new process for preparing and executing Corrective Action Plans (CAPs). The CAP development and execution process is designed to address the root cause of audit findings, implement changes to prevent the errors from reoccurring, and create monitoring processes to evaluate the effectiveness of the corrective actions. The status of CAP execution is briefed to the MCOC on a monthly basis. This revised process has yielded significant improvements in the internal controls governing financial management, and those efforts will continue in FY 2016 to further strengthen the control environment.
- Another focus area for OCFO is enhancing the degree of automation associated with financial data and to improve accuracy and efficiency. OCFO's current work on the Billing and Accounts Receivable (BAAR) initiative will enable GSA to retire the legacy National Electronic Accounting and Reporting (NEAR) system which has been in operation for nearly 40 years. The implementation of BAAR will establish one consolidated billing system that streamlines the billing process, supports paperless billing, and incorporates one consistent format for enterprise-wide billing. Additionally, the OCFO made significant progress in FY 2015 collaborating with GSA IT to implement an EASi interface that seamlessly integrates PBS business systems with GSA's financial system of record – Pegasys. The Electronic Acquisition System Integration (EASi) interface will substantially reduce the amount of manual data entry for OCFO analysts, allowing for reallocation of resources and improved timeliness/accuracy of contract data.
- The OCFO instituted a GSA-wide process for reviewing investments that included a robust review of project

costs and return on investment. All business cases were reviewed by agency leadership through a formal process in order to ensure that the business case made financial but also strategic sense for the organization.

## **Capabilities And Services**

### **OCFO adjusted its capabilities and service offerings to align with customer needs and federal requirements.**

- As part of the overarching OCFO transformation, the organization has identified and designed new capabilities to better align our structure with business and customer requirements. To improve coordination of audit responses and collaboration with the external auditor, OCFO established an Audit Branch with a dedicated Audit Liaison within the Office of Financial Management. The Office of Business and Financial Analytics was also established as a new capability for OCFO. The Office is tasked with consolidating and enhancing the reliability and accuracy of GSA's financial data to improve enterprise-wide decision making. The Office includes a data management division, business-line analytics groups, and an OCFO Quality Division dedicated to process improvement.
- In accordance with OMB Directive M-13-08, OCFO divested financial transactional work to a shared service provider at the USDA in March 2015. As part of a coordinated strategy to refocus OCFO's support on more complex analytical functions, and to align with the government-wide effort to leverage shared services for cost savings, GSA transferred accounting and related financial reporting functions to USDA. OCFO is working diligently to establish a collaborative

and close relationship with USDA to ensure optimal financial services, and to increase long-term cost savings.

- OCFO is committed to facilitating better connectivity and visibility between performance management and budget processes to enable decision makers to make more informed tradeoffs on resource allocation. To further this goal, OCFO established the Office of Strategic Planning and Performance Management. This new office provides enterprise-wide performance management and strategic planning guidance and coordination. One key initiative completed by the office was redesigning the quarterly enterprise performance review process of metrics for all Service and Staff Offices within the Administrator's Suite.

As OCFO continues its transformation strategy, FY 2016 will bring many challenges in finalizing the implementation of our organizational structure, continuing to make planned improvements in our technology and business processes, and making key investments in our capabilities and staff. This is an exciting time for GSA OCFO and we hope to make great progress. I sincerely appreciate all the support received from staff as we work to improve our operations and ensure GSA remains a good steward of public funds.

Regards,



**Gerard Badorrek**  
**Chief Financial Officer**  
**November 10, 2015**





U.S. General Services Administration  
Office of Inspector General

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NOV 12 2015

MEMORANDUM FOR: DENISE TURNER ROTH  
ADMINISTRATOR (A)

GERARD BADORREK  
CHIEF FINANCIAL OFFICER (B)

FROM: CAROL F. OCHOA   
INSPECTOR GENERAL (J)

SUBJECT: Independent Auditor's Report on GSA's FY2015  
Financial Statements

The Chief Financial Officers Act of 1990 (P.L. 101-576), as amended, requires the GSA Inspector General or an independent external auditor, as determined by the Inspector General, to audit GSA's financial statements. Under a contract monitored by my office, KPMG LLP (KPMG), an independent public accounting firm, performed the Fiscal Year 2015 Financial Statements Audit of GSA. KPMG performed the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on GSA's financial statements or conclusions about the effectiveness of internal control or on whether GSA's financial management systems substantially complied with the Federal Financial Management Improvement Act of 1996; or conclusions on compliance with laws and regulations. KPMG is responsible for the attached auditor's report dated November 10, 2015, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

We appreciate the courtesies and cooperation GSA extended to KPMG and our staff during the audit. If you have any questions, please contact Theodore R. Stehney, Assistant Inspector General for Auditing, at (202) 501-0374.

Attachments

1800 F Street, NW, Washington, DC 20405



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Independent Auditors' Report

Administrator and Inspector General  
United States General Services Administration:

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States General Services Administration (GSA), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of net cost, changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements (hereinafter referred to as "consolidated financial statements"). We have also audited the individual balance sheets of the Federal Buildings Fund and the Acquisition Services Fund (hereinafter referred to as the "Funds") as of September 30, 2015 and 2014 and the related individual statements of net cost, changes in net position, and budgetary resources for the years then ended (hereinafter referred to as the Funds' "individual financial statements") and the related notes to the Funds' individual financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements and the Funds' individual financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements and the Funds' individual financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements and on the Funds' individual financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the Funds' individual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Funds' individual financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the Funds' individual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements and the Funds' individual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as

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("KPMG International"), a Swiss entity.





evaluating the overall presentation of the consolidated financial statements and the Funds' individual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions on the Financial Statements***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GSA as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

In our opinion, the Funds' individual financial statements referred to above present fairly, in all material respects, the financial position of each of the individual Funds as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

#### ***Other Matters***

Management has elected to reference information on Web sites outside the *Agency Financial Report* to provide additional information for the users of its financial statements. Such information is not a required part of the basic consolidated financial statements or the Funds' individual financial statements or supplementary information required by the Federal Accounting Standards Advisory Board (FASAB). The information on these Web sites has not been subjected to any of our auditing procedures, and, accordingly, we do not express an opinion or provide any assurance on it.

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements and the Funds' individual financial statements. Such information, although not a part of the basic consolidated financial statements and the Funds' individual financial statements, is required by the FASAB who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements and the Funds' individual financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements and the Funds' individual financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements and the Funds' individual financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Supplementary and Other Information*

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements and on the Funds' individual financial statements as a whole. The information in the Other Funds and Intra-GSA Eliminations columns in the consolidating and combining financial statements in Schedules 1 through 4 (hereinafter referred to as "consolidating information"), and the information in the Table of Contents, Letter from the Administrator, "How GSA Benefits the Public" section, Letter from the Chief Financial Officer, Office of Inspector General's Transmittal Memorandum of the Independent Auditors' Report, and Other Information section of GSA's 2015 *Agency Financial Report* is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements.

The consolidating information in Schedules 1 through 4 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information in Schedules 1 through 4 is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

The information in the Table of Contents, Letter from the Administrator, "How GSA Benefits the Public" section, Letter from the Chief Financial Officer, Office of Inspector General's Transmittal Memorandum of the Independent Auditors' Report, and Other Information section of GSA's 2015 *Agency Financial Report* has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and Funds' individual financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the consolidated financial statements and the Funds' individual financial statements as of and for the year ended September 30, 2015, we considered GSA's and the individual Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements and the Funds' individual financial statements, but not for the purpose of expressing an opinion on the effectiveness of GSA's and the individual Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of GSA's and the individual Funds' internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in Exhibit I, that we consider to be significant deficiencies.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether GSA's consolidated financial statements and the Funds' individual financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and, accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 15-02.

We also performed tests of GSA's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audits, and, accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which GSA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

#### ***GSA's Responses to Findings***

GSA's responses to the findings identified in our audit are described in Exhibit I. GSA's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and the Funds' individual financial statements and, accordingly, we express no opinion on the responses.

#### ***Purpose of the Other Reporting Required by Government Auditing Standards***

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of GSA's and the individual Funds' internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Washington, DC  
November 10, 2015



**Independent Auditors' Report**  
**Exhibit I – FY 2015 Significant Deficiencies**

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**I. Financial Management and Reporting<sup>1</sup>**

During fiscal year (FY) 2015, GSA initiated the implementation of corrective action plans to address internal control weaknesses and strengthen internal control. Although GSA made progress in certain financial management and reporting areas, deficiencies remain in certain areas of classification of capital and operating leases and accounting and reporting of occupancy agreements. Additional remediation is scheduled to continue in FY 2016.

**a. Classification of Capital and Operating Leases**

GSA maintains over 8,300 owned or leased federal facilities and processes approximately \$7 billion in lease payments annually. Control deficiencies over the classification analysis of leases to ensure the proper accounting for and disclosure of leases in accordance with applicable accounting standards, were noted as follows:

1. Regional personnel did not adhere, on a consistent basis, to existing policies, procedures, and guidance to ensure the lease classification analysis is updated and accurate when lease terms, at lease inception dates, change from those initially estimated.
2. Controls over the lease classification were not operating effectively to address financial reporting requirements for capital or operating lease determination in addition to the budget determination, as evidenced by:
  - The lease classification analysis contained inaccurate data related to one or more of the following based on the actual terms of the lease: annual rent, operating costs, real estate taxes, insurance, maintenance and repair reserve, rent abatement, and rent commencement date.
  - The discount rates used in the lease classification analysis were incorrect.
  - Minimum lease payments were not discounted to the correct point in time for purposes of the lease classification analysis.

While GSA has implemented a number of actions to address prior year audit findings related to lease classification, some of those actions have not been completed as of the end of FY 2015. Nonetheless, GSA policies and procedures to determine whether a lease is either capital or operating continue to have a primary focus on determining the appropriate lease classification from a budget formulation and justification perspective as required by the Office of Management and Budget (OMB) Circular No. A-11 (Revised), *Preparation, Submission, and Execution of the Budget*. In addition, we continue to note that regional personnel do not follow established policies and procedures on a consistent manner and have established practices as to how and when to complete the lease classification analysis that are not always consistent with the established policies and procedures. Further, GSA has not fully developed monitoring procedures to ensure that regional personnel are following the established policies and procedures over the lease classification, as intended.

If left un-remediated, these conditions present a risk that errors in the classification of leases will not be prevented, or detected and corrected, by GSA management in the normal course of performing their assigned functions.

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<sup>1</sup> This finding applies to the Federal Buildings Fund and GSA as a whole.

**Independent Auditors' Report**  
**Exhibit I – FY 2015 Significant Deficiencies**

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**b. Accounting and Reporting of Occupancy Agreements**

GSA processes approximately \$10 billion in revenues from occupancy agreements (OA). During FY 2015, GSA provided additional policy clarification and signature guides in an attempt to distinguish OAs that modify significant financial terms of the agreement (e.g., increases in square footage, increases in base rent rates, changes to length of occupancy or termination dates) from OAs that document standard adjustments (e.g., Consumer Price Index adjustment, tax adjustments, ancillary charges for parking/antenna rent). However, we noted that deficiencies remain in controls over the recording of fully executed OAs, as follows:

1. Regional personnel did not fully adhere to existing policies, procedures, and guidance to obtain fully executed OAs, when appropriate. Specifically, we noted GSA personnel did not adequately obtain fully executed OAs in the following instances:
  - When charge basis or square footage amount is modified resulting in increased base rental charges without an updated signed OA contract.
  - When the period of occupancy under a signed OA agreement, with no provision for continuing occupancy, has expired and no new OA agreement was signed.
2. The policies and procedures over OAs are not designed and implemented adequately to ensure that there is a clear distinction between the two uses of the OA document, and do not fully address the need for GSA to consistently document the agreement of tenant agencies to significant financial terms of tenant-GSA relationship.

The lack of a fully executed OA documenting changes to significant financial terms in the agreements, increases the risk of financial statement misstatements as potential billing disagreements may arise between GSA and tenant agencies.

**Recommendations**

We recommend that GSA management implement the following to improve controls over financial management and reporting:

**a. Classification of Capital and Operating Leases**

1. GSA management should establish separate processes to perform lease classification analyses for financial statement purposes at lease inception, as required by *Statements of Federal Financial Accounting Standards* (SFFAS) No. 6; *Accounting for Property, Plant, and Equipment* and other technical accounting standards applicable to leases, separate from the budget scoring analysis performed.
2. GSA should continue efforts indicated in their corrective action plans to implement sufficient monitoring procedures to ensure the lease classification analysis is performed accurately and in accordance with financial accounting standards.
3. OCFO should include lease classification controls within their scope of OMB Circular No. A-123 (Revised), *Management's Responsibility for Internal Control*, assessments.

**Independent Auditors' Report**  
**Exhibit I – FY 2015 Significant Deficiencies**

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**b. Accounting and Reporting of Occupancy Agreements**

1. Establish monitoring procedures to ensure that controls over the authorization of OA revenues are properly designed, implemented and operating effectively.
2. Reevaluate use of the OA document for purposes of both formalizing significant terms and communicating recurring changes and consider distinguishing between these documents.
3. Reevaluate current signature policies and signature guide to determine if current signature requirements achieve the objective of documenting tenant agency agreement to significant financial terms, including occupancy beyond the term of the OA.
4. Update policies as needed to ensure that PBS obtains documented agreement from tenant agencies of significant financial terms (base rental rates, space occupied, term of occupancy) for any OAs in place that have a financial statement impact.

**Management Response**

Management concurs with these recommendations and will continue to implement necessary corrective actions which are either in progress or planned.

**II. Controls over Budgetary Accounts and Transactions<sup>2</sup>**

Budgetary accounts are a category of the general ledger accounts where transactions related to receipts, obligations, and disbursements of budgetary authority—the authority provided by law to incur financial obligations that will result in outlays—are recorded. OMB Circular No. A-123 sets forth requirements to develop control processes necessary to ensure that reliable and timely information is obtained, maintained, reported, and used for decision making.

During FY 2015, GSA continued the implementation of corrective action plans to address internal control weaknesses and strengthen internal controls over budgetary accounting. However, weaknesses remain and additional remediation associated with obligations is scheduled to continue in FY 2016. Specifically, we noted the following control deficiencies:

1. Controls did not operate effectively to provide reasonable assurance that contract and financial information entered into GSA's contract management systems, or generated elsewhere manually, used to initiate and manage all contract actions, is accurately, timely, and completely captured in GSA's financial management system and properly reflected in the financial statements.
2. In order to address the risk of contract financial information not being captured properly or timely into the financial management system, GSA continues to rely on a number of manual-intensive reconciliation controls. Such controls are detective in nature and were not designed at the same level of precision as controls designed to ensure the accurate initial recording and review of all transactions entered in the contract management systems and in the financial management system.
3. GSA did not fully or consistently adhere to policies and procedures for obligating funds received through Reimbursable Work Authorizations (RWA) in a reasonable and timely manner or for maintaining required documents in the RWA files.

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<sup>2</sup> This finding applies to the Federal Buildings Fund and GSA as a whole.



**Independent Auditors' Report**  
**Exhibit I – FY 2015 Significant Deficiencies**

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The main contributing factors for the control deficiencies over budgetary accounts and transactions continue to be:

- Lack of integrated financial and contract management systems that can accommodate real-time recording of budgetary accounting transactions based on actual contracting activity. The volume of contract actions and frequent adjustments and modifications to contracts in the normal course of business results in a significant manual processing burden that is susceptible to error. Without an integrated financial system and communication between financial management personnel and contracting personnel, the financial system may not be updated as necessary based on actual contract status resulting in delayed or inaccurate financial information available for decision makers.
- Lack of sufficient oversight of the contracting function and overall operating discipline as evidenced by contracting and budgetary activities that impact financial reporting not being performed consistently at the regional level.

If not corrected, these deficiencies will continue to expose GSA to an increased risk of misstatements in its financial statements and possible violations of laws and regulations.

**Recommendations**

We recommend that GSA management continue to implement the following to improve controls over budgetary accounts and transactions:

1. Continue efforts indicated in corrective action plans to implement a contracting system that will interface with the financial management system of record.
2. Enforce policies and procedures with regional personnel to ensure that contracting and budgetary activities are consistently performed and accurately completed, contracting activities are recorded in the appropriate subsidiary ledger and the financial management system timely, and required documentation is completed and maintained.

**Management Response**

Management concurs with these recommendations and will continue to implement necessary corrective actions which are either in progress or planned.

**III. General Controls over Financial Management Systems<sup>3</sup>**

In FY 2015, we continued to note weaknesses in information technology controls designed to protect GSA's financial management systems as required by OMB Circular No. A-130 (Revised), *Management of Federal Information Resources*. Specifically, we identified control deficiencies over access and configuration management general controls, as follows.

**a. Access Controls**

Effective access to programs and data controls are implemented to prevent unauthorized access and users from performing tasks not assigned to them and logging and monitoring the activity performed to detect any unscrupulous, unauthorized, or inappropriate activity that could lead to a compromise of the confidentiality, integrity, and availability of the data residing on the information system. Specifically,

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<sup>3</sup> This finding applies to the Acquisition Services Fund and GSA as a whole.



**Independent Auditors' Report**  
**Exhibit I – FY 2015 Significant Deficiencies**

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throughout the period under audit, we identified the following weaknesses in controls over access to programs and data:

1. Initial authorization (in 3 of 10 systems tested), periodic recertification (in 4 of 10 systems tested), and the timely removal of inactive application, database, and operating system users and administrator accounts (in 1 of 10 systems tested) was inadequate, inconsistent, or in violation of the principles of segregation of duties.
2. Segregation of duties violations existed in the application, development, and production environments and controls were not designed, implemented or operating effectively to prevent or detect and correct such violations (in 4 of 10 systems tested).
3. Controls over logical access to key financial in-scope systems, including password configuration settings for the application, database, and operating system, were not designed, consistently implemented, or fully effective (in 2 of 10 systems tested).
4. Controls over the configuration, review, documentation of review, and access to the logs for the application, database, and operating systems were not designed, fully implemented, or were performed inconsistently (in 6 of 10 systems tested).
5. Monitoring and review controls over GSA contractor access are not properly designed, fully implemented, or performed consistently for all in-scope systems tested.

**b. Configuration Management Controls**

Effective configuration management controls prevent unauthorized fraudulent data or malicious code into the application and/or database without detection, which could lead to the compromise of the confidentiality, integrity, and availability of the data residing on the information system. Specifically, throughout the period under audit, we identified the following weaknesses in controls over configuration management:

1. Database patches were not reviewed, authorized, or tested prior to implementation into the production environment (in 2 of 10 systems tested).
2. Standard software changes were developed and migrated into the production environment by the same personnel (in 1 of 10 systems tested).
3. Emergency changes were not authorized by the Change Control Board prior to implementation into the production environment (in 1 of 10 systems tested).
4. Vulnerability scans were performed and results were discussed on a periodic basis; however, evidence of Information System Security Officer review was not documented or maintained for all in-scope systems tested.

GSA still has challenges establishing a process to collect, assess, and share information relating to known weaknesses from one system with designated personnel throughout the organization to help eliminate similar weaknesses in other systems. This lack of effective communication and information regarding common weaknesses across the different feeder systems is a contributing factor inhibiting GSA to fully resolve these control deficiencies. These conditions could affect GSA's ability to prevent and detect unauthorized changes to financial information, control logical access to sensitive information, and protect its information resources.

**Independent Auditors' Report**  
**Exhibit I – FY 2015 Significant Deficiencies**

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**Recommendations**

We continue to recommend that GSA management improve controls over its financial information systems to ensure adequate security and protection of the information systems as follows:

**a. General Controls (Access Controls and Configuration Management Controls)**

1. Enforce documented system-specific and GSA-wide access to programs and data and configuration management policies and procedures to ensure access to programs and data controls are operating effectively.
2. Provide periodic training over system-specific and GSA-wide access to programs and data and configuration management policies and procedures.
3. Formally document the performance, review, and any remedial actions taken for the vulnerability scans results.

**Management Response**

Management concurs with these recommendations and will continue to implement necessary corrective actions which are either in progress or planned.

**IV. Entity-level Controls<sup>4</sup>**

Entity-level controls encompass the overall control environment throughout the entity. This includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance, and management concerning the entity's internal control and its importance in the entity. Entity-level controls are often categorized as environmental controls, risk assessment, information and communications, and monitoring, as defined by the *Committee of Sponsoring Organizations of the Treadway Commission* (2013 version) and the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book). These controls must be effective to create and sustain organizational structure that it is conducive to reliable financial reporting.

During FY 2015, GSA initiated the implementation of corrective action plans to address pervasive internal control weaknesses and strengthen internal controls. However, entity-level control deficiencies remain and additional remediation actions are scheduled to continue in FY 2016. These common themes are described below; however, they also contribute to several of the conditions presented in findings I through III above.

1. Policies and procedures related to financial reporting and accounting operations are not always finalized, formalized, and approved in a timely manner.
2. Regional and operational personnel do not always share responsibilities for and are not adequately supervised on financial management matters that affect the financial statements, including adhering to appropriate accounting policies and procedures and performing key internal control functions in support of financial reporting.
3. GSA did not perform and document a comprehensive analyses over certain financial reporting aspects related to the accounting functions transferred to a shared-service provider.

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<sup>4</sup> This finding applies to the Federal Buildings Fund, Acquisition Services Fund, and GSA as a whole.

**Independent Auditors' Report**  
**Exhibit I – FY 2015 Significant Deficiencies**

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4. Certain financial system functionality limitations are still contributing to control deficiencies. These system functionality limitations are inhibiting progress on corrective actions for GSA and are preventing the agency from improving the efficiency and reliability of its financial reporting process. Some of the financial system limitations lead to extensive manually intensive and redundant procedures to process transactions, to verify accuracy of data, and to prepare the financial statements. Systemic conditions related to financial functionality include:
- Lack of integrated financial and contract management systems for PBS. GSA is currently working on the development and implementation of a new contract management system.
  - Lack of system functionality to capture the estimated completion date for multi-phased construction projects.
  - Funds controls in the financial management system that can be overridden without proper controls over transactions recorded when such edit checks were switched off.
  - Configuration of the financial management system regarding the proper accounting for recoveries of prior years' obligations.
  - Aging feeder systems that do not capture proper information for the correct recognition of expenses and related revenue for certain Federal Acquisition Service lines of businesses.
  - Numerous interfaces between feeder systems and the financial management system requiring manual journal entries to capture transactions properly that originally did not interface correctly.
5. GSA has established a number of manual compensating controls that do not operate at a sufficient level of precision when compared to controls designed and implemented over initiation of transactions.

**Recommendations**

We recommend that GSA management implement the following to improve the effectiveness of entity-level controls:

1. Continue to review and revise as necessary its internal control program to plan, establish, monitor, and report and communicate a comprehensive, adequate, and appropriate internal assessment of the operating effectiveness of GSA internal controls.
2. Continue to finalize and implement all of the draft agency-specific OCFO policies and procedures to effectively provide information and communication to GSA as a whole.
3. Provide training to financial and program personnel on internal controls.
4. Continue to strengthen monitoring controls. GSA and each one of its components should design monitoring controls around its annual risk assessment to ensure transactions with higher risk of error are adequately monitored. Components with effective detective controls should look for opportunities to implement more reliable controls earlier in the processes to prevent errors at the transaction source.
5. Perform and document a comprehensive analysis over all end-to-end processes affected by the transfer of accounting functions to the shared-service provider to further the understanding of roles and responsibilities of GSA and shared-service providers.

**Independent Auditors' Report**  
**Exhibit I – FY 2015 Significant Deficiencies**

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6. Prioritize financial system and feeder system enhancements to resolve functionality limitations and reduce manually intensive and redundant procedures.
7. Implement procedures to involve the OCFO and others as needed when making accounting policy decisions to ensure that adopted accounting policies are technically correct, supported, are in accordance with OCFO's policies and procedures, and properly reflect the business transactions in the financial statements.

**Management Response**

Management concurs with these recommendations and will continue to implement necessary corrective actions which are either in progress or planned.



# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Balance Sheets

As of September 30, 2015 and 2014  
(Dollars in Millions)

	2015	2014
<b>ASSETS</b>		
Intragovernmental Assets:		
Fund Balance with Treasury (Notes 1-D, 2)	\$9,748	\$8,698
Accounts Receivable - Federal, Net (Note 4)	1,801	2,123
Prepaid Expenses and Advances - Federal	3	4
Total Intragovernmental	11,552	10,825
Inventories (Note 1-E)	21	42
Accounts Receivable - Public, Net (Note 4)	155	154
Other Assets (Note 5)	287	262
Property and Equipment: (Notes 1-F, 6)		
Buildings	44,085	42,832
Leasehold Improvements	324	330
Motor Vehicles	5,352	5,134
Other Equipment	779	745
Less: Accumulated Depreciation and Amortization	(25,983)	(24,346)
Subtotal	24,557	24,695
Land	1,692	1,645
Construction in Process and Software in Development	1,141	1,388
Total Property and Equipment, Net	27,390	27,728
<b>Total Assets</b>	<b>\$39,405</b>	<b>\$39,011</b>
<b>LIABILITIES AND NET POSITION</b>		
Intragovernmental Liabilities:		
Accounts Payable and Accrued Expenses - Federal	\$44	\$39
Judgment Fund Liability (Note 12)	458	443
Deferred Revenues and Advances - Federal (Note 12)	324	340
Other Intragovernmental Liabilities (Notes 10, 12)	128	105
Total Intragovernmental	954	927
Accounts Payable and Accrued Expenses - Public	1,989	2,112
Environmental and Disposal Liabilities (Notes 6, 11, 12)	2,240	2,466
Capital Lease and Installment Purchase Liability (Note 12)	551	518
Workers' Compensation Actuarial Liability (Notes 8, 12)	122	133
Unamortized Rent Abatement Liability (Note 12)	416	387
Annual Leave Liability (Notes 1-G, 12)	105	106
Deposit Fund Liability (Note 12)	44	42
Other Liabilities (Notes 10, 12)	114	64
<b>Total Liabilities</b>	<b>6,535</b>	<b>6,755</b>
<b>NET POSITION (Note 15)</b>		
Cumulative Results of Operations	32,615	31,857
Unexpended Appropriations	255	399
Total Net Position	32,870	32,256
<b>Total Liabilities and Net Position</b>	<b>\$39,405</b>	<b>\$39,011</b>

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Net Cost

For the Fiscal Years Ended September 30, 2015 and 2014  
(Dollars in Millions)

		2015	2014
<b>Manage Building Operations</b>	Earned Revenues	<b>\$11,318</b>	\$11,329
	Less: Operating Expenses	<b>10,673</b>	11,409
	Net Revenues from (Cost of) Operations	<b>645</b>	(80)
<b>Provide Acquisition Services</b>	Earned Revenues	<b>8,119</b>	8,480
	Less: Operating Expenses	<b>8,170</b>	8,370
	Net Revenues from (Cost of) Continuing Operations	<b>(51)</b>	110
	Discontinued Operations:		
	Earned Revenues - GS&S Stock Programs	<b>6</b>	228
	Less: Operating Expenses - GS&S Stock Programs	<b>94</b>	294
	Net Revenues from (Cost of) Discontinued Operations	<b>(88)</b>	(66)
	Net Revenues from (Cost of) Operations	<b>(139)</b>	44
<b>Working Capital and General Programs</b>	Earned Revenues	<b>45</b>	44
	Less: Operating Expenses	<b>308</b>	208
	Net Revenues from (Cost of) Operations	<b>(263)</b>	(164)
<b>Total U.S. General Services Administration</b>	Earned Revenues	<b>19,488</b>	20,081
	Less: Operating Expenses	<b>19,245</b>	20,281
	Net Revenues from (Cost of) Operations	<b>\$243</b>	\$(200)

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Changes in Net Position

For the Fiscal Years Ended September 30, 2015 and 2014  
(Dollars in Millions)

	2015	2014
<b>BEGINNING BALANCE OF NET POSITION:</b>		
Cumulative Results of Operations	\$31,857	\$31,997
Unexpended Appropriations	399	669
Net Position Beginning Balance	<u>32,256</u>	<u>32,666</u>
<b>RESULTS OF OPERATIONS:</b>		
Net Revenues From (Cost of) Operations	243	(200)
Appropriations Used (Note 1-C)	384	510
Non-Exchange Revenue (Notes 1-C, 1-D)	92	110
Imputed Financing Provided By Others	82	101
Transfer of Earnings Paid and Payable to U.S. Treasury	(73)	(100)
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	42	(557)
Other	(12)	(4)
Net Results of Operations	<u>758</u>	<u>(140)</u>
<b>CHANGES IN UNEXPENDED APPROPRIATIONS:</b>		
Appropriations Received	241	241
Appropriations Used	(384)	(510)
Appropriations Adjustments and Transfers From Other Agencies or Funds	(1)	(1)
Net Change in Unexpended Appropriations	<u>(144)</u>	<u>(270)</u>
<b>ENDING BALANCE OF NET POSITION:</b>		
Cumulative Results of Operations	32,615	31,857
Unexpended Appropriations	255	399
Net Position Ending Balance	<u>\$32,870</u>	<u>\$32,256</u>

The accompanying notes are an integral part of these statements.



# Combined Statements of Budgetary Resources

For the Fiscal Years Ended September 30, 2015 and 2014  
(Dollars in Millions)

	2015	2014
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance from Prior Year Budget Authority: Unobligated Balance Brought Forward, October 1	\$6,786	\$6,433
Recoveries of Prior Year Unpaid Obligations	439	609
Other Changes in Unobligated Balance	(6)	(2,196)
Unobligated Balance from Prior Year Budget Authority, Net	7,219	4,846
Appropriations	263	260
Spending Authority from Offsetting Collections:		
Collections	22,063	22,347
Change in Uncollected Customer Payments	(132)	21
Previously Unavailable	2,941	4,729
Resources Temporarily Not Available	(3,567)	(2,941)
Total Spending Authority from Offsetting Collections	21,305	24,156
Total Budgetary Resources	28,787	29,262
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred:		
Direct		
Category A	174	258
Category B	188	42
Reimbursable		
Category A	1,747	1,732
Category B	20,384	20,444
Total Obligations Incurred	22,493	22,476
Unobligated Balance:		
Apportioned	6,113	6,605
Unapportioned	181	181
Total Unobligated Balance, End of Period	6,294	6,786
Total Status of Budgetary Resources	28,787	29,262
<b>CHANGE IN OBLIGATED BALANCE</b>		
Unpaid Obligations, Brought Forward, October 1, Gross	8,420	8,249
Obligations Incurred	22,493	22,476
Outlays, Gross	(21,291)	(21,696)
Recoveries of Prior Year Unpaid Obligations	(439)	(609)
Unpaid Obligations, End of Period, Gross	9,183	8,420
Uncollected Payments:		
Uncollected Customer Payments, Brought Forward, October 1	(9,612)	(9,591)
Change in Uncollected Customer Payments from Federal Sources	132	(21)
Uncollected Customer Payments from Federal Sources, End of Period	(9,480)	(9,612)
Obligated Balance, Start of Year, Oct 1:	(1,192)	(1,342)
Obligated Balance, End of Period:	(297)	(1,192)
<b>BUDGET AUTHORITY AND OUTLAYS, NET</b>		
Budget Authority, Gross	21,568	24,416
Actual Offsetting Collections	(22,063)	(22,347)
Change in Uncollected Customer Payments from Federal Sources	132	(21)
Budget Authority, Net	(363)	2,048
Gross Outlays	21,291	21,696
Less: Offsetting Collections	(22,063)	(22,347)
Net Outlays from Operating Activity	(772)	(651)
Distributed Offsetting Receipts	(107)	(114)
Total Net Outlays	\$(879)	\$(765)

The accompanying notes are an integral part of these statements.

# Notes to the **Financial Statements**

For the Fiscal Years Ended September 30, 2015 and 2014

The General Services Administration (GSA) was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended. Congress enacted this legislation to provide for the federal government an economic and efficient system for the procurement and operation of buildings, procurement and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs.

The Administrator of General Services, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the operation of several appropriated and revolving funds.

## **1. SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting Entity**

Beginning in FY 2015, GSA presents comparative Consolidated and Consolidating Balance Sheets, Consolidated and Consolidating Statements of Net Cost, Consolidated and Consolidating Statements of Changes in Net Position, and Combined and Combining Statements of Budgetary Resources. The consolidating and combining formats display GSAs two largest components: the FBF and the ASF. All other entities have been combined under Other Funds.

The FBF is the primary fund used to record activities of the PBS. The ASF is the primary fund used to record activities of the FAS.

GSA's accompanying financial statements include the accounts of all funds which have been established and maintained to account for resources under the control of GSA management. The entities included in the Other Funds category are described below, together with a discussion of the different fund types.

**Revolving Funds** are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress. The Revolving Funds in the Other Funds category consist of the following:

- Federal Citizen Services Fund (FCSF)
- Working Capital Fund (WCF)

**General Funds** are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages 20 General Funds. Four of these General Funds are funded by current year appropriations, six by no-year appropriations, one by multi-year appropriations, four cannot incur new obligations, and five budget clearing accounts that temporarily hold collections until a more appropriate fund can be determined. The General Funds included in the Other Funds category are as follows:

- Allowances and Office Staff for Former Presidents
- Budget Clearing Account – Broker Rebates
- Budget Clearing Account – Proceeds of Sales, Personal Property
- Budget Clearing Account – Real Property
- Budget Clearing Account – Suspense
- Budget Clearing Account - Undistributed Intragovernmental Payments
- Data Driven Innovation – Executive Office of the President (EOP) Child
- Energy-Efficient Federal Motor Vehicle Fleet Procurement – Recovery Act
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Electronic Government Fund
- Expenses, Government-Wide Policy
- Expenses, Presidential Transition
- Government-Wide Policy – Multi-Year
- Government-Wide Policy – Recovery Act
- Information Technology Oversight and Reform (ITOR)
  - EOP Child
- Expenses, OIG
- OIG – No-Year
- OIG – Recovery Act
- Operating Expenses, GSA
- Real Property Relocation

**Special Funds and Trust Funds** are accounts established for receipts dedicated by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. In accordance with FASAB Statements of Federal Financial Accounting Standards (SFFAS) No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*, these Special and Trust Funds are classified as funds from

dedicated collections. Although immaterial, balances of funds from dedicated collections are displayed in Note 2-B. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property, for funding of the Transportation Audits program, and to fund the Acquisition Workforce Training program. GSA has one Trust Fund with authority to accept unconditional gifts of property in aid of any project or function within its jurisdiction. GSA's Special and Trust Funds consist of the following:

- Expenses, Disposal of Real and Related Personal Property
- Expenses, Transportation Audits
- Expenses, Acquisition Workforce Training Fund
- Other Receipts, Surplus Real and Related Personal Property
- Receipts of Rent, Leases and Lease Payments for Government-Owned Real Property
- Receipts, Transportation Audits
- Receipts, Acquisition Workforce Training Fund
- Transfers of Surplus Real and Related Personal Property
- Unconditional Gifts of Real, Personal or Other Property

**Miscellaneous Receipt and Deposit Funds** accounts are considered non-entity funds since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Treasury automatically transfers all cash balances in these receipt accounts to the General Fund of the U.S. Treasury at the end of each fiscal year. Deposit Fund accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit. These accounts include (1) deposits received for which GSA is acting as an agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received and (4) monies whose distribution awaits a legal determination or investigation. The receipt and deposit funds in the Other Funds category consist of the following:

- Advances Without Orders from Non-Federal Sources
- Employees' Payroll Allotment Account, U.S. Savings Bonds
- GSA Childcare Deposits
- Fines, Penalties, and Forfeitures, Not Otherwise Classified
- Forfeitures of Unclaimed Money and Property
- General Fund Proprietary Interest, Not Otherwise Classified
- General Fund Proprietary Receipts, Not Otherwise Classified, All Other
- Other Earnings from Business Operations and Intra-Governmental Revolving Funds
- Proceeds from Sale of Surplus Property
- Reserve for Purchase Contract Projects
- Small Escrow Amounts

- Special and Trust Fund Proprietary Receipts Returned to the General Fund of the U.S. Treasury
- Withheld State and Local Taxes

In FY 2015, GSA received a second allocation transfer from OMB, where GSA (child) is executing certain activities of the Data Driven Innovation Fund on behalf of the EOP. During FY 2014, GSA returned a portion of its allocation transfer, related to EOP's ITOR Fund, back to OMB. The remaining allocation is available until expended. In accordance with OMB Circular A-136, Financial Reporting Requirements, agencies that receive allocation transfers from the EOP are to include such balances in their financial statements.

On March 22, 2015, GSA implemented the first phase of transferring its full suite of financial management services, excluding payroll and the child care program, to the USDA. This phase included the transfer of nearly 300 positions performing financial systems management and financial operations activities to USDA. While GSA did move to a new financial management shared service provider in USDA, GSA did not change financial systems as USDA took over the operations of GSA's existing core financial systems. Due to the mid year timing of the transfer, GSA retained ownership of all financial management systems and financial management system access controls through the end of FY 2015. Further transition of ancillary financial IT applications and related data migration to USDA data centers is planned for FYs 2016 and 2017. Financial data ownership will remain with GSA.

## B. Basis of Accounting

The principal financial statements are prepared from the books and records of GSA, in accordance with GAAP as promulgated by FASAB, and OMB Circular A-136, in all material respects. FASAB SFFAS No. 34, The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Federal Accounting Standards Board, established the hierarchy of GAAP for federal financial statements. The Consolidated Statements of Net Cost present the operating results of the FBF, ASF and Other Funds, as well as GSA Consolidated operating results as a whole. The Consolidated Balance Sheets present the financial position of GSA using a format segregating intragovernmental balances. The Consolidated Statements of Changes in Net Position display the changes in Cumulative Results of Operations and Unexpended Appropriations. The Combined Statements of Budgetary Resources (CSBR) present the sources, status and uses of GSA budgetary resources.

GSA reconciles all intragovernmental fiduciary transaction activity and works with agency partners to reduce significant or material differences reported by other agencies in conformance with U.S. Treasury intragovernmental reporting guidelines and requirements of OMB Circular A-136.

Certain prior year balances have been reclassified to conform to the current year presentation.

On the Consolidated Statements of Net Cost, Consolidated Balance Sheets and Consolidated Statements of Changes in Net Position, all significant intra-agency balances and transactions have been eliminated in consolidation. No such eliminations have been made on the CSBR.

On the Consolidating Statements of Net Cost, intra-GSA eliminations of revenue and expenses are displayed separately, and results of individual funds reflect the full amounts of such balances that flowed through those funds. Certain amounts of expenses eliminated on the Consolidating Statements of Net Cost are imputed costs for which the matching resource is not revenue on this statement, but imputed resources provided by others, displayed on the Consolidating Statements of Changes in Net Position. Accordingly, on the Consolidating Statements of Net Cost the revenue and expense eliminations do not match. The Consolidating Statements of Changes in Net Position display the offsetting balances between these categories..

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Operating expenses and related accounts payable accruals and estimates are recorded in the period goods or services are received.

### **C. Revenue Recognition and Appropriations Used**

Substantially all revenues reported by GSA funds on the Consolidated Statements of Net Cost are generated from intragovernmental sales of goods and services, with only three percent of revenues earned from non-federal customers for the years ended September 30, 2015, and 2014. Expenses are primarily incurred with non-federal entities supplying the underlying goods and services being provided to GSA federal customers, with only three percent and four percent of operating expenses resulting from activity with other federal agencies for the years ended September 30, 2015, and 2014, respectively. Each fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that GSA funds will pay to provide such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover imputed costs not borne by GSA, but covered by other funds or entities of the U.S. government, such as for post-employment and other inter-entity costs. As the amount of services provided to non-federal customers is generally very insignificant, maintaining separate rate structures for these customers to recover imputed costs is not warranted.

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered.

- In the FBF, rent revenues are earned based on occupancy agreements with customers, as space and services are provided. Generally, agencies housed in government-owned buildings are billed based upon commercial rates for comparable space. Agencies housed in buildings leased by GSA are generally billed at rates to recover the cost of that space. In some instances, special rates are arranged in accordance with congressional guidance or other authorized purposes. Most agencies using funding from Trust Funds have rent rates set to recover full cost. For revenue under nonrecurring reimbursable building R&A projects, GSA charges customers actual cost, and makes no profit. As a result, revenues are generally earned to match costs incurred.
- In the ASF, General Supplies and Services revenues are recognized when goods are provided to customers. In the TMVCS portfolio, vehicle acquisition revenues are recognized when goods are provided. Vehicle leasing revenues are recognized based on rental arrangements over the period vehicles are dispatched. AAS revenues are recognized when goods or services are provided, and fee revenues in the GSA Schedules programs are earned based on estimated and actual usage of GSA contracting vehicles by other agencies. The Schedules programs generated \$270 million in fees, constituting three percent of ASF revenues in FY 2015, and \$263 million in fees, three percent of ASF revenues, in FY 2014. ITS revenues are earned when goods or services are provided or as reimbursable project costs are incurred. Telecommunications service revenues are generally recognized based on customer usage or on fixed line rates.
- In the WCF, revenues are generally recognized when general management and administrative services are provided to the service components of GSA and to external customers. Such WCF revenues are earned in accordance with agreements that recover the direct cost and an allocation of indirect costs from the components of GSA receiving those services.

Non-Exchange Revenues are recognized on an accrual basis on the Consolidated Statements of Changes in Net Position for sales of surplus real property, reimbursements due from the audit of payments to transportation carriers, and other miscellaneous items resulting from GSA operations where ultimate collections must be deposited in miscellaneous receipt accounts of the U.S. Treasury.

Appropriations for General Fund and Special Fund activities are recorded as a financing source on the Consolidated Statements of Changes in Net Position when expended. Unexpended appropriations are reported as an element of Net Position on the Consolidated Balance Sheets.

## **D. Fund Balance with Treasury (See Note 2)**

This total represents all unexpended balances for GSA accounts with the U.S. Treasury.

GSA acts as a disposal agent for surplus federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA legislative authorities, the gross proceeds from some sales are deposited in GSA Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidated Statements of Changes in Net Position. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the U.S. Department of the Interior (DOI).

## **E. Inventories (See Note 18)**

Inventories held for sale to other federal agencies consist primarily of ASF inventories valued at historical cost, generally determined on a moving average basis. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan. In the ASF, an inconsequential amount of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another federal agency, sold, or donated to state or local governments.

## **F. Property and Equipment (See Note 6)**

Generally, property and equipment purchases and additions of \$10,000 or more, and having a useful life of two or more years, are capitalized and valued at cost. Property and equipment transferred to GSA from other federal agencies on the date GSA was established is stated at the transfer value, which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value, and surplus real and related personal property transferred to GSA is stated at the lower of net book value or appraised value.

Expenditures for major additions, replacements and alterations to real property of \$50,000 or more are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of R&A and leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA financial statements as such amounts are transferred to the other agencies upon

completion of the project. The majority of all land, buildings and leasehold improvements are leased to other federal agencies under short-term cancellable agreements.

Depreciation and amortization of property and equipment are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold Improvements are amortized over the lesser of their useful lives, generally five years, or the unexpired lease term. Buildings capitalized by the FBF at its inception in 1974 were assigned remaining useful lives of 30 years. It is GSA policy to reclassify capitalized costs of construction in process into the Buildings accounts upon project completion. Buildings acquired under capital lease agreements are also depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years and 10 years, respectively.

Most of the assets comprising Other Equipment are used internally by GSA and are depreciated over periods generally ranging from three to 10 years.

GSA maintains a fleet of motor vehicles for rental to other Federal agencies to meet their operational needs, with monthly billings rendered to recover program costs. The various vehicle types are depreciated over a general range of four to 12 years.

In accordance with FASAB SFFAS No. 10, Accounting for Internal Use Software, capitalization of software development costs incurred for systems having a useful life of two years or more is required. With implementation of this standard, GSA adopted minimum dollar thresholds per system that would be required before capitalization would be warranted. For the FBF, this minimum threshold is \$1 million. For all other funds, it is \$250,000. Once completed, software applications are depreciated over an estimated useful life determined on a case-by-case basis, ranging from three to 10 years. Capitalized software is reported as an element of Other Equipment on the Consolidated Balance Sheets.

In FY 2015 GSA implemented FASAB SFFAS No. 44, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*. The standard requires PBS to report partial impairments as a loss on the Statement of Net Costs. There were no partial impairments reported for FY 2015.

## **G. Annual, Sick and Other Types of Leave**

Annual leave liability is accrued as it is earned and the accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of nonvested leave are expensed as taken.



## 2. FUND BALANCE WITH TREASURY

### A. Reconciliation to U.S. Treasury

There were no differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2015, and 2014.

### B. Balances by Fund Type

The most significant amounts for GSA in Fund Balance with Treasury are in the FBF and ASF revolving funds. Within the Other Funds category, Special and Trust Receipt and Expenditure Funds are classified as funds from dedicated collections in accordance with FASAB SFFAS No. 43. The fund balances in the Other Funds category contains amounts in the following fund types (dollars in millions):

	2015	2014
Revolving Funds	\$398	\$366
Appropriated and General Funds	144	145
Clearing Funds	51	26
Special Receipt Funds	106	117
Special and Trust Expenditure Funds	49	50
Deposit Funds	52	45
Total Other Funds	\$800	\$749

### C. Relationship to the Budget

In accordance with FASAB SFFAS No. 1, Accounting for Selected Assets and Liabilities, the following information is provided to further identify amounts in Fund Balance with Treasury as of September 30, 2015, and 2014, against which obligations have been made, and for unobligated balances, to identify amounts available for future expenditures and those only available to liquidate prior obligations. In the FBF, amounts of FBWT shown below as Unobligated Balance – Unavailable include a combination of the amounts reported on the CSBR as Resources Temporarily Unavailable and Unobligated Balance – Not Available. Also, in two instances, the portion of Fund Balance with Treasury presented below as unobligated balances will not equal related amounts reported on the CSBR. In the FBF, the CSBR unobligated balances include resources associated with borrowing authority for which actual funds have not yet been realized (see Note 7). In the Other Funds group, the schedule below includes amounts displayed as unavailable unobligated balances for the FBWT held in Special Receipt, Clearing,

and Deposit Funds, shown above in Note 2-B, which are not reportable for purposes of the CSBR. The following schedule presents elements of the FBWT (dollars in millions):

	Obligated Balance, Net	Unobligated Balance		Total
		Available	Unavailable	
2015				
FBF	\$57	\$4,178	\$3,581	\$7,816
ASF	(717)	1,849	-	1,132
Other Funds	363	59	378	800
Total	\$(297)	\$6,086	\$3,959	\$9,748

2014				
FBF	\$(561)	\$4,415	\$2,965	\$6,819
ASF	(944)	2,074	-	1,130
Other Funds	313	89	347	749
Total	\$(1,192)	\$6,578	\$3,312	\$8,698

### D. Availability of Funds

Included in GSA's FBWT are dedicated collections from Special Receipt Funds that may be transferred to either the U.S. Treasury, or the Land and Water Conservation Fund (see Note 1-D). These amounts, related to the Transportation Audits program, Acquisition Workforce Training program and surplus real property disposals, are subject to transfer upon GSA's determination of the internal working capital needs of these programs. The Fund Balance with Treasury in these funds totaled \$106 million and \$117 million at September 30, 2015, and 2014, respectively, of which \$35 million and \$32 million, respectively, were recorded as liabilities in the Consolidated Balance Sheets.

In FY 2015 and 2014, \$1.0 million and \$1.1 million, respectively, of unused funds from expired appropriations were returned to the U.S. Treasury as of September 30. Such balances are excluded from the amount reported as FBWT in accordance with U.S. Treasury guidelines.

A portion of FBWT also includes amounts where authority to incur new obligations has expired, but the funds are available to liquidate residual obligations that originated when the funds were available. Such expired balances totaled \$71 million and \$80 million at September 30, 2015, and 2014, respectively.

The FBF has balances that are temporarily not available in accordance with annual appropriation acts that limit the amount of reimbursable resources that are available for spending each year. Such amounts totaled \$3,567 million and \$2,941 million at September 30, 2015, and 2014, respectively, and will not be available for expenditure except as authorized in future appropriation acts.

Under ASF legislative authorities, GSA is permitted to retain earnings to ensure the fund has sufficient resources to support operations in association with a cost and capital planning process as approved by the Administrator of GSA. During FY 2014, FAS identified \$11 million of balances that exceeded our current operating needs and subsequently returned those funds to the U.S. Treasury. The ASF did not return any funds to Treasury in FY 2015. Cumulative Results of Operations in the ASF have been used to cover discontinued operations and investments in governmentwide software applications to include the System for Award Management (SAM) and the Common Acquisition Platform (CAP).

### 3. NON-ENTITY ASSETS

As of September 30, 2015, and 2014, certain amounts reported on the Consolidated Balance Sheets are elements of Budget Clearing, Deposit, and Miscellaneous Receipt Funds, which are not available to management for use in ongoing operations and are classified as Non-entity assets (see Note 1-A). The only substantial balances of

non-entity assets were FBWT, which totaled \$103 million and \$71 million, as of September 30, 2015 and 2014, respectively.

### 4. ACCOUNTS AND NOTES RECEIVABLE, NET

Substantially all accounts receivable are from other federal agencies, with only eight percent and seven percent due from non-federal customers in FY 2015 and 2014, respectively. Unbilled accounts receivable result from the delivery of goods, or performance of services for which bills have not yet been rendered. Allowances for doubtful accounts are recorded using aging methodologies based on analysis of historical collections and write-offs.

In addition to accounts receivable balances displayed below, GSA has an inconsequential balance of notes receivable, net of allowances for doubtful accounts. The most significant of these notes receivable balances is an \$8 million note in the FBF that has been deemed uncollectible. In accordance with FASAB SFFAS No. 1, GSA does not recognize interest receivable or allowance related to notes deemed uncollectible. As of September 30, 2015, and 2014, accumulated unrecognized interest on this note totaled \$145 million and \$127 million, respectively.

A summary of Accounts Receivable as of September 30, 2015, and 2014, is as follows (dollars in millions):

	FBF		ASF		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Accounts Receivable - Billed	\$197	\$169	\$79	\$97	\$24	\$23	\$-	\$-	\$300	\$289
Accounts Receivable - Unbilled	363	370	1,352	1,667	6	5	23	20	1,698	2,022
Allowance for Doubtful Accounts	(27)	(20)	(14)	(14)	(1)	-	-	-	(42)	(34)
Accounts Receivable, Net	\$533	\$519	\$1,417	\$1,750	\$29	\$28	\$23	\$20	\$1,956	\$2,277



## 5. OTHER ASSETS

As of September 30, 2015, and 2014, Other Assets were comprised of the following balances (dollars in millions):

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS	
	2015	2014	2015	2014	2015	2014	2015	2014
Investments in Capital Leases	\$67	\$76	\$41	\$12	\$-	\$-	\$108	\$88
Surplus Property Held for Sale	35	44	38	33	1	-	74	77
Unamortized Deferred Charges and Prepayments	90	80	-	2	-	-	90	82
Miscellaneous	15	15	-	-	-	-	15	15
Other Assets	\$207	\$215	\$79	\$47	\$1	\$-	\$287	\$262

## 6. PROPERTY AND EQUIPMENT, NET

### A. Summary of Balances

Balances in GSA Property and Equipment accounts subject to depreciation as of September 30, 2015, and 2014, are summarized below (dollars in millions):

	2015			2014		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings FBF	\$44,085	\$23,210	\$20,875	\$42,832	\$21,745	\$21,087
Leasehold Improvements FBF	297	239	58	300	229	71
ASF	27	22	5	30	22	8
Motor Vehicles ASF	5,352	1,879	3,473	5,134	1,749	3,385
Other Equipment FBF	187	148	39	199	141	58
ASF	364	312	52	337	301	36
Other Funds	228	173	55	209	159	50
Total Property and Equipment	\$50,540	\$25,983	\$24,557	\$49,041	\$24,346	\$24,695

### B. Cleanup Costs

GSA's FBF recognized \$2,171 million and \$2,397 million for Environmental and Disposal Liabilities as of September 30, 2015, and 2014, respectively, for properties currently in GSA's inventory. Included in this balance are the current estimates for cleanup associated with existing environmental hazards and future costs of asbestos remediation.

- In the FBF, certain properties contain environmental hazards that will ultimately need to be removed and/or

require containment mechanisms to prevent health risks to the public. Cleanup of such hazards is governed by various federal and state laws. The laws most applicable to GSA are the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Clean Air Act, and the Resource Conservation and Recovery Act.

In accordance with FASAB SFFAS No. 5 and 6, *Accounting for Liabilities of the Federal Government and Accounting for Property, Plant, and Equipment*, respectively, and interpretive guidance in Federal Financial Accounting and Auditing Technical Release

No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, issued by the FASAB Accounting and Auditing Policy Committee, if an agency is required by law to clean up such hazard, the estimated amount of cleanup cost must be reported in the financial statements.

In FY 2014, GSA revised its methodology for estimating non-asbestos related liabilities to an approach that would better capture the cost of remediating certain hazards, such as, but not limited to, lead based paint and polychlorinated biphenyls. During FY 2015, GSA refined its methodology to incorporate buildings built in 2000 or after for the non-asbestos liability estimate. Under the new methodology GSA used actual cost data from major renovation projects and cost estimates from independent third-party environmental surveys, to develop average cost factors for non-asbestos remediation. These average cost factors were applied to GSA's total square feet of applicable inventory in order to determine the total estimated non-asbestos liability.

- In accordance with FASAB Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs, the focus is to recognize an unfunded liability and related expenses for asbestos related cleanup costs where it is both probable and reasonably estimable for federal entities that own tangible property, plant and equipment containing asbestos. GSA has a methodology for estimating asbestos-related cleanup costs.

GSA's methodology for developing its' estimated future asbestos liability involved selection of asbestos abatement survey reports performed by third party contractors, independent from GSA, to develop an average cost factor. The average cost factor from these asbestos survey reports is applied to GSA's total square feet of applicable inventory in order to determine the total estimated asbestos liability. In accordance with Technical Bulletin 2006-1, GSA recognizes cleanup costs on the basis of passage of time, over the estimated life of the underlying assets. The building useful life of 30 years is used for purposes of recognizing and amortizing the long term estimated asbestos cleanup costs. During FY 2015, changes to GSA's total estimated liability consisted of cost re-estimates, inflation and amortization of remaining future year costs.

GSA's total estimated environmental and disposal liabilities for future asbestos and non-asbestos related cleanup costs at September 30, 2015, and 2014, were (dollars in millions):

	2015	2014
Asbestos Liability	<b>\$1,727</b>	\$1,939
Non-Asbestos Liability	<b>444</b>	458
Subtotal - Liabilities	<b>2,171</b>	2,397
Unamortized Costs - Asbestos	<b>23</b>	25
Unamortized Costs - Non-Asbestos	<b>46</b>	19
Total Estimated Future Environmental Cleanup Costs	<b>\$2,240</b>	\$2,441

Additionally, in accordance with FASAB SFFAS No. 5, a contingent liability should be disclosed if any of the conditions for liability recognition are not met and there is a reasonable possibility that a loss or an additional loss may have been incurred. As of September 30, 2015, and 2014, GSA's FBF had \$169 million and \$20 million, respectively, of environmental and disposal contingencies where it is reasonably possible, but not probable, GSA funds will incur cleanup costs.

### C. Heritage Assets

The average age of GSA buildings is 49 years old, and therefore, many buildings have historical, cultural and/or architectural significance. While GSA uses these buildings to meet the office space and other needs of the federal government, maintaining and preserving these historical elements is a significant priority. In accordance with FASAB SFFAS No. 29, Heritage Assets and Stewardship Land, these buildings meet the definition of Multi-use Heritage Assets, and are reportable within Property and Equipment on the Consolidated Balance Sheets. Deferred maintenance and repairs related to GSA's heritage assets are separately disclosed in the required supplementary information.

GSA defines its Historic Buildings as those buildings that are either listed on the NRHP, have formally been determined eligible, or appear to meet eligibility criteria to be listed. GSA has 374 buildings on the NRHP, up from 370 at the end of FY 2014, of which 78 are designated as National Historical Landmarks. An additional 108 buildings are potentially eligible for listing on the NRHP, but have not gone through the formal determination process. Under the National Historic Preservation Act, GSA is required to give these buildings special consideration, including first preference for federal use and rehabilitation in accordance with standards established by the DOI.

GSA also has one collection of artworks with historical significance.

## 7. INTRAGOVERNMENTAL DEBT

### A. Lease Purchase Debt

Starting in FY 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the FBF lease purchase borrowing authority. Under these agreements, the FBF borrowed monies (as advance payments) through the Federal Financing Bank (FFB) or executed lease-to-own contracts to finance the lease purchases. The program was originally authorized for total expenditures up to \$1,945 million for 11 projects. As of September 30, 2015, and 2014, \$27 million of borrowing authority under the lease purchase program remained available for additional advance payments; however all authorized projects are completed.

All outstanding lease purchase debt was prepaid in FY 2014.

### B. Pennsylvania Avenue Debt

The former Pennsylvania Avenue Development Corporation (PADC) originally received authority to borrow from the FFB to finance construction of the Ronald Reagan Building (RRB) in Washington, D.C., with a project budget of \$738 million. Effective March 31, 1996, the PADC was dissolved, with portions of its functions, assets and liabilities being transferred to GSA, including the RRB.

Subsequent legislation consolidated GSA's portion of these assets and liabilities into the FBF, in which the cost and associated debt for the RRB was recorded.

No additional amounts were borrowed in FY 2015 and none are anticipated to be borrowed under this authority in the future. All outstanding PADC debt was prepaid in FY 2014.

### C. Prepayment of Debt

In FY 2014, GSA exercised options in its agreements with the FFB that allowed the FBF to prepay the \$1,647 million of outstanding principal, \$18 million of unpaid interest and \$449 million in associated premiums as of July 31, 2014.

Resources to retire the outstanding principal and associated premiums were funded by unobligated balances and equity of the FBF accumulated from prior year net results. The interest payments were funded from current year revenues generated by the FBF.

## 8. WORKERS' COMPENSATION BENEFITS

The Federal Employees' Compensation Act (FECA) provides wage replacement and medical cost protection to covered federal civilian employees injured on the

job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' wage replacement, and medical and miscellaneous costs for approved compensation cases.

The present value of these estimates at the end of FY 2015 and 2014 were calculated by DOL using the following discount rates:

FY 2015		FY 2014	
Year 1	Year 2 and thereafter	Year 1	Year 2 and thereafter
Wage Benefits	3.134	3.455	3.455
Medical Benefits	2.496	2.855	2.855

At September 30, 2015, and 2014, GSA's actuarial liability totaled \$122 million and \$133 million, respectively.

## 9. LEASING ARRANGEMENTS

As of September 30, 2015, GSA was committed to various non-cancellable operating leases covering administrative office space and storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options. The following are schedules of future minimum rental payments required under leases that have initial or remaining non-cancellable terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in millions):

OPERATING LEASES	
FISCAL YEAR	FBF
2016	\$4,045
2017	3,547
2018	2,978
2019	2,504
2020	2,106
2021 and thereafter	8,711
Total future minimum lease payments	\$23,891

CAPITAL LEASES	
FISCAL YEAR	FBF
2016	\$35
2017	35
2018	33
2019	29
2020	28
2021 and thereafter	25
Total future minimum lease payments	185
Less: Amounts representing-	
Interest	32
Executory Costs	1
Total obligations under capital leases	<u>\$152</u>

Substantially all leased and owned space maintained by the FBF is sublet to other federal agencies at rent charges to recover GSA's cost of that space, or commercial equivalent charges. The majority of agreements covering these arrangements allow customer agencies to terminate the agreement with four months notice, any time after the first 16 months of the agreement term. In those cases, GSA believes the agreements will continue without interruption. In some instances, agreements with customers may include non-cancellation clauses or restricted clauses that limit the ability to cancel prior to the agreement's expiration date. Customer agencies may also enter into a supplemental occupancy agreement with the ASF's Total Workplace program. This program assists customers with right-sizing their operations to improve space utilization, reduce real estate footprint, and increase workplace efficiency while minimizing initial capital investments for items such as furniture and IT equipment. Base terms generally have a duration of 30 months for furniture and 18 months for IT equipment with a renewal option. Agreements may be canceled with four months notice; however, the customer is still liable for the remaining term payments on the leased equipment. GSA believes that these agreements will continue without interruption. The following is a schedule displaying the future minimum rental revenues due to GSA for all non-cancellable and restricted clause agreements with terms in excess of one year (dollars in millions):

OPERATING LEASE REVENUES			
FISCAL YEAR	FBF	ASF	TOTAL
2016	\$2,031	\$13	\$2,044
2017	1,531	7	1,538
2018	1,343	3	1,346
2019	1,227	2	1,229
2020	1,098	1	1,099
2021 and thereafter	6,966	-	6,966
Total future minimum lease revenues	<u>\$14,196</u>	<u>\$26</u>	<u>\$14,222</u>

For four of GSA's buildings, the rental agreements with the customer include transfer of ownership of the buildings at the end of the rental term. Total Workplace currently has six agreements classified as direct financing capital leases where the furniture and IT equipment will transfer to the lessee at the end of the lease term.

The remaining minimum rental payments due from these agreements are as follows (dollars in millions):

DIRECT FINANCING LEASE RENTALS			
FISCAL YEAR	FBF	ASF	TOTAL
2016	\$8	\$19	\$27
2017	8	14	22
2018	8	5	13
2019	8	2	10
2020	8	1	9
2021 and thereafter	27	-	27
Total future minimum lease rentals	<u>\$67</u>	<u>\$41</u>	<u>\$108</u>

Rental income under subleasing agreements and related reimbursable arrangements for tenant improvements and above standard service requirements approximated \$6.6 billion for both FYs ended September 30, 2015, and 2014. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately \$5.8 billion in both FYs 2015 and 2014. The Consolidated Balance Sheets as of September 30, 2015, and 2014, include capital lease assets of \$402 million and \$505 million for buildings, respectively. Aggregate accumulated amortization on such structures totaled \$309 million and \$360 million in those years, respectively. For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

## 10. OTHER LIABILITIES

As of September 30, 2015, and 2014, the components of amounts reported on the Consolidated Balance Sheets as Other Intragovernmental Liabilities and Other Liabilities, are substantially all long-term in nature, with the exception of amounts shown below as Federal Benefit Withholdings, Salaries and Benefits Payable, and Deposits in Clearing Funds, which are current liabilities. Other Intragovernmental Liabilities and Other Liabilities consisted of the following (dollars in millions):

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Other Intragovernmental Liabilities:</b>								
Workers' Compensation Due to DOL	\$20	\$19	\$6	\$7	\$3	\$4	\$29	\$30
Federal Benefit Withholdings	4	4	3	2	3	2	10	8
Deposits in Clearing Funds	-	-	-	-	51	26	51	26
Earnings Payable to Treasury	-	-	-	-	38	41	38	41
Other Intragovernmental Liabilities	\$24	\$23	\$9	\$9	\$95	\$73	\$128	\$105
<b>Other Liabilities:</b>								
Salaries and Benefits Payable	\$18	\$17	\$9	\$9	\$19	\$11	\$46	\$37
Deferred Revenues/Advances from the Public	6	6	2	1	-	-	8	7
Lease Termination Liability (Note 18)	-	-	44	1	-	-	44	1
Contingencies	5	8	-	-	-	-	5	8
Pensions for Former Presidents	-	-	-	-	11	11	11	11
Other Liabilities	\$29	\$31	\$55	\$11	\$30	\$22	\$114	\$64

## 11. COMMITMENTS AND CONTINGENCIES

### A. Commitments and Undelivered Orders

In addition to future lease commitments discussed in Note 9, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities at September 30, 2015, and 2014, were as follows (dollars in millions):

	2015	2014
FBF	\$2,790	\$2,460
ASF	3,931	3,353
Other Funds	337	310
Total Undelivered Orders	\$7,058	\$6,123

### B. Contingencies

GSA is a party in various administrative proceedings, legal actions, environmental suits and claims brought

by or against it. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions and claims will not materially affect the financial position or results of operations of GSA. Based on the nature of each claim, resources available to liquidate these liabilities may be from GSA funds or, in some instances, are covered by the U.S. Treasury's Judgment Fund, as discussed below.

- As of September 30, 2015, and 2014, the FBF recorded liabilities in total of \$5 million and \$8 million, respectively, for pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, the FBF will probably incur losses.

In addition, GSA has contingencies where it is reasonably possible, but not probable, that GSA funds will incur some cost. Accordingly, no balances have been recorded in the financial statements for these contingencies. The ranges of reasonably possible losses for claims to be paid by GSA are as follows (dollars in millions):



	2015		2014	
	Low	High	Low	High
FBF	\$14	\$182	\$17	\$187
ASF	-	3	-	3
Other Funds	-	1	-	1
Total Reasonably Possible Loss Range	\$14	\$186	\$17	\$191

In many cases, legal matters which directly involve GSA relate to contractual arrangements GSA has entered into either for property and services it has obtained or procured on behalf of other federal agencies. The costs of administering, litigating and resolving these actions are generally borne by GSA unless it can recover the cost from another federal agency. Certain legal matters in which GSA may be named party are administered and, in some instances, litigated by other federal agencies. Amounts to be paid under any decision, settlement or award pertaining thereto are sometimes funded by those agencies.

- In many cases, tort and environmental claims are administered and resolved by the U.S. Department of Justice, and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the U.S. Treasury. In accordance with the FASAB's Interpretation No. 2, Accounting for Treasury Judgment Fund Transactions, costs incurred by the federal government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, GSA's Other Funds reported \$69 million in FYs 2015 and 2014, of Environmental and Disposals and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Substantially all of those amounts result from several environmental cases outstanding at the end of FYs 2015 and 2014, respectively, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with the FASAB Accounting and Auditing Policy Committee's Federal Financial Accounting and Auditing Technical Release No. 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government.

The ranges for additional contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible, but not probable, are as follows (dollar in millions):

	2015		2014	
	Low	High	Low	High
FBF	\$69	\$111	\$69	\$109
ASF	-	90	1	96
Other Funds	125	125	125	125
Total Reasonably Possible Loss Range	\$194	\$326	\$195	\$330

The recognition of claims to be funded through the Judgment Fund on GSA Consolidated Statements of Net Cost and Consolidated Balance Sheets is, in effect, recognition of these liabilities against the federal government as a whole, and should not be interpreted as claims against the assets or resources of any GSA fund, nor will any future resources of GSA be required to liquidate any resulting losses. Further, for most environmental claims, GSA has no managerial responsibility other than as custodian and successor on claims made against former federal entities, particularly former World War II defense related activities.

Amounts paid from the Judgment Fund on behalf of GSA were as follows (dollars in millions):

	2015	2014
FBF	\$14	\$20
ASF	1	-
Other Funds	4	3
Total Judgment Fund Payments	\$19	\$23

Of these amounts, all significant balances are related to claims filed under the Contract Disputes Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds liable under the contracts in dispute. The balance of claims paid on behalf of GSA does not require reimbursement to the Judgment Fund.

## 12. UNFUNDED LIABILITIES

As of September 30, 2015, and 2014, budgetary resources were not yet available to fund certain liabilities reported on the Consolidated Balance Sheets. For such liabilities, most are long-term in nature where funding is generally made available in the year payments are due or anticipated. The portion of liabilities reported on the Consolidated Balance Sheets that are not covered by budgetary resources consists of the following (dollars in millions):



	2015	2014
Judgment Fund Liability	<b>\$458</b>	\$443
Deferred Revenues and Advances - Federal	<b>298</b>	315
Other Intragovernmental Liabilities	<b>118</b>	97
Environmental and Disposal	<b>2,240</b>	2,466
Capital Lease and Installment Purchase Liability	<b>534</b>	494
Workers' Compensation Actuarial Liabilities	<b>122</b>	133
Unamortized Rent Abatement Liability	<b>416</b>	387
Annual Leave Liability	<b>105</b>	106
Deposit Fund Liability	<b>44</b>	42
Other Liabilities	<b>68</b>	27
Total Liabilities Not Covered By Budgetary Resources	<b>\$4,403</b>	\$4,510

Certain balances, while also unfunded by definition (as no budgetary resources have been applied), will be liquidated from resources outside of the traditional budgeting process and require no further congressional action to do so. Such balances include: 1) amounts reported in the Consolidated Balance Sheets under the captions Unamortized Rent Abatement Liability and Deposit Fund Liability; 2) the portion of amounts included in Other Intragovernmental Liabilities shown as Deposits Held in Suspense and Earnings Payable to Treasury in Note 10; and 3) substantially all amounts included in Other Liabilities shown as Deferred Revenues/Advances From the Public in Note 10.

### 13. RECONCILIATION TO THE PRESIDENT'S BUDGET

In accordance with FASAB SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, if there are differences between amounts reported in these financial statements versus those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. With the President's Budget generally released in February each year, the most current comparable data is the FY 2016 President's Budget, which contains FY 2014 financial statement results. The FY 2017 President's Budget, containing FY 2015 actual results is expected to be released in February 2016 on OMB's Web site. The portion of the President's Budget relating specifically to GSA can be found in the appendix of that report. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget. The basis of the President's Budget and the CSBR is data reported to the U.S. Treasury on the Reports on Budget Execution and Budgetary Resources (SF 133s). Reconciling differences are caused by the presentation style of the President's Budget, which excludes Budgetary Resources, Obligations Incurred and Unobligated Balances in expired annual funds, as well as offsetting collections, which are required for reporting on the CSBR. Small rounding differences may also exist between the CSBR and the President's Budget due to an alternative rounding methodology used by GSA.

The following two schedules highlight the most significant comparable amounts reported in the FY 2014 CSBR and FY 2016 President's Budget (dollars in millions). The first schedule shows the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget by fund. Following this is a second schedule displaying the components of each difference at the combined level.

FBF			ASF		OTHER FUNDS		TOTAL GSA		
	CSBR	Pres. Budget	CSBR	Pres. Budget	CSBR	Pres. Budget	CSBR	Pres. Budget	Difference
Budgetary Resources	\$18,155	\$18,115	\$12,832	\$12,833	\$1,216	\$1,158	\$32,203	\$32,106	\$97
Obligations Incurred	10,749	10,732	10,758	10,758	969	968	22,476	22,458	18
Unobligated Balances	7,406	7,383	2,074	2,075	247	189	9,727	9,647	80
Balance of Obligations	(561)	(560)	(944)	(944)	313	312	(1,192)	(1,192)	-
Outlays	(1,037)	(1,038)	273	272	(1)	113	(765)	(653)	(112)

	Budgetary Resources	Obligations Incurred	Unobligated Balance	Obligated Balance	Net Outlays
Combined Statement of Budgetary Resources	\$32,203	\$22,476	\$9,727	\$(1,192)	\$(765)
Expired Funds, Not Reflected in the Budget	(98)	(19)	(80)	-	-
Offsetting Receipts Not Reflected in the Budget	-	-	-	-	114
Other	1	1	-	-	(2)
Budget of the U.S. Government	\$32,106	\$22,458	\$9,647	\$(1,192)	\$(653)

#### 14. COMBINED STATEMENTS OF BUDGETARY RESOURCES

The CSBR presents GSA budgetary results in accordance with reporting requirements prescribed in OMB Circular A-11, Preparation, Submission, and Execution of the Budget. In consolidated reporting by OMB and the U.S. Treasury, for the U.S. government as a whole, substantially all of GSA's program operations and operating results are categorized as general government functions.

Balances reported on the CSBR as Prior Year Recoveries generally reflect the downward adjustment of obligations that originated in prior fiscal years which have been cancelled or reduced in the current fiscal year. These balances may also include the effect of adjustments caused when an obligation is modified to change the applicable program, or budget activity. In managing and controlling spending in GSA funds on a fund-by-fund basis, unique budget control levels (such as programs, budget activities or projects) are established. These levels are based on legislative limitations, OMB apportionment limitations, as well as management-defined allotment control limitations, in order to track and monitor amounts available for spending and obligations incurred against such amounts, as is required under the Antideficiency Act. When an obligation from a prior year is modified to change the budget control level of an obligation, a Prior Year Recovery would be credited to the level that was initially charged, and Obligations Incurred would be charged to the new level. While there may be no net change to total obligations in a particular fund, offsetting balances from the

upward and downward adjustments would be reported on the corresponding lines of the CSBR.

The basis of the CSBR is data reported to the U.S. Treasury on the SF 133s. There were no significant differences between the balances used to prepare the CSBR and the SF 133s in FY 2015 or FY 2014.

#### 15. CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

##### A. Cumulative Results of Operations

Cumulative results of operations for Revolving Funds include the net cost of operations since their inception, reduced by funds returned to the U.S. Treasury, by congressional rescissions, and by transfers to other federal agencies, in addition to balances representing invested capital. Invested capital includes amounts provided to fund certain GSA assets, principally land, buildings, construction in process, and equipment, as well as appropriated capital provided as the corpus of a fund (generally to meet operating working capital needs).

The FBF, ASF, WCF and FCSF have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the ASF, such cumulative results are retained to cover the cost of replacing the motor vehicle fleet and supply inventory as well as

to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains cumulative results to finance future systems improvements and certain operations. The FCSF retains cumulative results to finance future operations, subject to appropriation by Congress.

Cumulative Results of Operations on the Consolidated Balance Sheets include balances of funds from dedicated collections as defined in FASAB SFFAS No. 43, which totaled \$134 million and \$145 million as of September 30, 2015, and 2014, respectively. As further discussed in Notes 1 and 2, balances of funds from dedicated collections are those reported in GSA's Special Funds, within the Other Funds display on the Consolidated Balance Sheets.

## B. Unexpended Appropriations

Unexpended Appropriations consist of unobligated balances and undelivered orders, net of unfilled customer orders in funds that receive appropriations.

Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received. Unfilled customer orders are reimbursable orders placed with GSA by other agencies, other GSA funds, or from the public, where GSA has yet to provide the good or service requested. At September 30, 2015, and 2014, balances reported as unexpended appropriations were as follows (dollars in millions):

	FBF	OTHER FUNDS	TOTAL GSA
<b>2015</b>			
<b>Unobligated Balances:</b>			
Available	\$55	\$39	\$94
Unavailable	15	60	75
Undelivered Orders	19	69	88
Unfilled Customer Orders	-	(2)	(2)
<b>Total Unexpended Appropriations</b>	<b>\$89</b>	<b>\$166</b>	<b>\$255</b>
<b>2014</b>			
<b>Unobligated Balances:</b>			
Available	\$41	\$44	\$85
Unavailable	23	51	74
Undelivered Orders	166	77	243
Unfilled Customer Orders	-	(3)	(3)
<b>Total Unexpended Appropriations</b>	<b>\$230</b>	<b>\$169</b>	<b>\$399</b>

## 16. EMPLOYEE BENEFIT PLANS

### A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and makes the necessary payroll withholdings, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the Office of Personnel Management (OPM). Reporting of health care benefits for retired employees is also the direct responsibility of OPM.

In accordance with FASAB SFFAS No. 5, GSA recognizes the normal cost of pension programs and the normal cost of other post-employment health and life insurance benefits, as defined in that standard, on the Consolidated Statements of Net Cost. While contributions submitted by GSA to OPM do cover a significant portion of the normal cost of retirement benefits, the contribution rates defined in law do not cover the full normal cost of those retirement benefits. To achieve the recognition of the full normal cost required by SFFAS No. 5, GSA records the combination of funded cost for the amount of agency contributions, and imputed cost for the portion of normal costs not covered by contributions. Amounts recognized as normal cost related to contributions, as well as imputed costs are further provided below.

### B. Civil Service Retirement System

At the end of FY 2015, 8.5 percent (down from 10.6 percent in FY 2014) of GSA employees were covered by the CSRS, a defined benefit plan. Total GSA (employer) contributions (7.5 percent of base pay for law enforcement employees, and 7.0 percent for all others) to CSRS for all employees were as follows (dollars in millions):

	2015	2014
FBF	\$3	\$3
ASF	2	3
Other Funds	3	3
<b>Total Employer Contributions</b>	<b>\$8</b>	<b>\$9</b>

### C. Federal Employees Retirement System

On January 1, 1987, the FERS, a mixed system of defined benefit and defined contribution plans, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired before January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2015, 91.3 percent (up from 88 percent in FY 2014) of GSA

employees were covered under FERS. One of the primary differences between FERS and CSRS is that FERS offers automatic and matching contributions into the federal government's Thrift Savings Plan (TSP) for each employee. All employees could invest up to \$18,000 and \$17,500 in their TSP account in calendar years 2015 and 2014, respectively. In addition, for FERS employees, GSA automatically contributes one percent of base pay and matches employee contributions up to an additional four percent of base pay. For calendar years 2015 and 2014, total contributions made on behalf of an employee could not exceed \$53,000 and \$52,000, respectively. During FYs 2015 and 2014, GSA (employer) contributions to FERS (28.8 percent of base pay for law enforcement employees and 13.2 percent for all others) were as follow (dollars in millions):

	2015	2014
FBF	\$59	\$54
ASF	34	30
Other Funds	37	32
Total Employer Contributions	\$130	\$116

Additional GSA contributions to the TSP were as follows (dollars in millions):

	2015	2014
FBF	\$20	\$20
ASF	12	11
Other Funds	12	12
Total Employer Contributions	\$44	\$43

#### D. Social Security System

GSA also makes matching contributions for programs of the Social Security Administration (SSA) under the Federal Insurance Contributions Act. For employees covered by FERS, GSA contributed 6.2 percent of gross pay (up to \$118,500 and \$117,000 in calendar years 2015 and 2014, respectively) to SSA's Old-Age, Survivors, and Disability Insurance program in calendar year 2015. Additionally,

GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2015. In FYs 2015 and 2014, 0.2 percent and 1.4 percent, respectively, of GSA employees are covered exclusively by these programs. Payments to these programs were as follows (dollars in millions):

	2015	2014
FBF	\$35	\$35
ASF	20	19
Other Funds	20	20
Total Employer Contributions	\$75	\$74

#### E. Schedule of Unfunded Benefit Costs

Amounts recorded in FYs 2015 and 2014, in accordance with FASAB SFFAS No. 5, for imputed post-employment benefits were as follows (dollars in millions):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
<b>2015</b>			
FBF	\$11	\$25	\$36
ASF	8	13	21
Other Funds	9	14	23
Total Unfunded Benefit Costs	\$28	\$52	\$80

<b>2014</b>			
FBF	\$19	\$25	\$44
ASF	13	14	27
Other Funds	14	13	27
Total Unfunded Benefit Costs	\$46	\$52	\$98

## 17. RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET

The recognition of earning reimbursable budgetary resources and spending budgetary resources on the CSBR generally has a direct or causal relationship to revenues and expenses recognized on the Consolidated Statements of Net Cost. The reconciliation schedules below bridge the gap between these sources and uses of budgetary resources with the operating results reported on the Consolidated Statements of Net Cost for the fiscal years ended on September 30, 2015, and 2014 (dollars in millions):

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>										
Obligations Incurred	\$10,987	\$10,749	\$10,514	\$10,758	\$992	\$969	\$-	\$-	\$22,493	\$22,476
Less: Spending Authority From Offsetting Collections and Adjustments	(11,367)	(11,490)	(10,289)	(10,734)	(714)	(753)	-	-	(22,370)	(22,977)
Financing Imputed for Cost Subsidies	58	69	39	44	30	33	45	45	82	101
Other	(47)	98	13	7	(19)	114	-	-	(53)	219
Total Resources Used to Finance Activities	(369)	(574)	277	75	289	363	45	45	152	(181)
<b>RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS</b>										
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	(323)	(3)	(563)	(33)	(28)	(95)	-	-	(914)	(131)
Increase/(Decrease) in Unfilled Customer Orders	(310)	(280)	521	154	(4)	7	-	-	207	(119)
Costs Capitalized on the Balance Sheet	(1,196)	(1,125)	(870)	(1,008)	(14)	(13)	-	-	(2,080)	(2,146)
Financing Sources Funding Prior Year Costs	10	(130)	(18)	(24)	9	(3)	-	-	1	(157)
Other	35	93	43	2	-	(114)	-	-	78	(19)
Total Resources Used That Are Not Part of the Net Cost of Operations	(1,784)	(1,445)	(887)	(909)	(37)	(218)	-	-	(2,708)	(2,572)
<b>COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS</b>										
Depreciation and Amortization	1,618	1,581	522	512	14	16	-	-	2,154	2,109
Net Book Value of Property Sold	-	-	248	303	-	-	-	-	248	303
Other	106	6	-	-	-	-	-	-	106	6
Total Costs Financed by Resources Received in Prior Periods	1,724	1,587	770	815	14	16	-	-	2,508	2,418
<b>COSTS REQUIRING RESOURCES IN FUTURE PERIODS</b>										
Unfunded Capitalized Costs	12	12	-	-	-	-	-	-	12	12
Unfunded Current Expenses	(203)	524	(4)	(7)	-	6	-	-	(207)	523
Total Costs Requiring Resources in Future Periods	(191)	536	(4)	(7)	-	6	-	-	(195)	535
<b>Net (Revenues From) Cost of Operations</b>	<b>\$(620)</b>	<b>\$104</b>	<b>\$156</b>	<b>\$(26)</b>	<b>\$266</b>	<b>\$167</b>	<b>\$45</b>	<b>\$45</b>	<b>\$(243)</b>	<b>\$200</b>

## **18. DISCONTINUED OPERATIONS**

On November 8, 2013, GSA announced its decision to cease operations at its distribution centers in French Camp, CA and Burlington, NJ. The French Camp depot closed on September 30, 2014 and the Burlington depot closed on December 31, 2014. This effort is intended to modernize GSA's supply chain and reduce delivery times through the use of vendor direct delivery methods of supply. Future cost savings are anticipated in the form of lower operating expenses related to leasing, labor, infrastructure, maintenance, storage, and transportation. For FYs 2015 and 2014, the Stock and Stock Direct Delivery programs generated net operating losses of \$88 million and \$66 million, respectively, associated with discontinued operations. In FY 2015, GSA recognized \$49 million in expenses associated with the early termination of the lease agreement on the Burlington, NJ facility. The lease agreement is effective until December 13, 2020, requires the agency to provide security services,

and does not contain a clause for early termination. In addition, approximately \$16 million in costs have been incurred to replace the legacy order processing systems. As part of the transition to direct delivery, the new Order Management System is expected to modernize order placement, pricing and vendor management systems that no longer meet customer requirements. Other operating expenses specific to discontinued operations include: contract labor for three months, employee separation costs, transportation and transfers of inventories, and write-offs of inventories and other fixed assets.

## **19. SUBSEQUENT EVENTS**

On October 1, 2015, the system ownership of the Pegasys System, NEAR System and Financial Management Information System transferred to the USDA. With this transfer, USDA assumes the overall responsibility for coordinating the management and technical aspects of the life cycle of these systems.



# CONSOLIDATING FINANCIAL STATEMENTS

## Consolidating Balance Sheets

As of September 30, 2015 and 2014  
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>										
Intragovernmental Assets:										
Fund Balance with Treasury (Notes 1-D, 2)	\$7,816	\$6,819	\$1,132	\$1,130	\$800	\$749	\$-	\$-	\$9,748	\$8,698
Accounts Receivable - Federal, Net (Note 4)	516	495	1,303	1,641	5	7	23	20	1,801	2,123
Prepaid Expenses and Advances - Federal	1	2	2	2	-	-	-	-	3	4
Total Intragovernmental	8,333	7,316	2,437	2,773	805	756	23	20	11,552	10,825
Inventories (Note 1-E)	-	-	21	42	-	-	-	-	21	42
Accounts Receivable - Public, Net (Note 4)	17	24	114	109	24	21	-	-	155	154
Other Assets (Note 5)	207	215	79	47	1	-	-	-	287	262
Property and Equipment: (Notes 1-F, 6)										
Buildings	44,085	42,832	-	-	-	-	-	-	44,085	42,832
Leasehold Improvements	297	300	27	30	-	-	-	-	324	330
Motor Vehicles	-	-	5,352	5,134	-	-	-	-	5,352	5,134
Other Equipment	187	199	364	337	228	209	-	-	779	745
Less: Accumulated Depreciation and Amortization	(23,597)	(22,115)	(2,213)	(2,072)	(173)	(159)	-	-	(25,983)	(24,346)
Subtotal	20,972	21,216	3,530	3,429	55	50	-	-	24,557	24,695
Land	1,692	1,645	-	-	-	-	-	-	1,692	1,645
Construction in Process and Software in Development	1,131	1,374	3	14	7	-	-	-	1,141	1,388
Total Property and Equipment, Net	23,795	24,235	3,533	3,443	62	50	-	-	27,390	27,728
<b>Total Assets</b>	<b>\$32,352</b>	<b>\$31,790</b>	<b>\$6,184</b>	<b>\$6,414</b>	<b>\$892</b>	<b>\$827</b>	<b>\$23</b>	<b>\$20</b>	<b>\$39,405</b>	<b>\$39,011</b>

<b>LIABILITIES AND NET POSITION</b>										
Intragovernmental Liabilities:										
Accounts Payable and Accrued Expenses - Federal	\$25	\$25	\$23	\$23	\$19	\$11	\$23	\$20	\$44	\$39
Judgment Fund Liability (Note 12)	457	443	1	-	-	-	-	-	458	443
Deferred Revenues and Advances - Federal (Note 12)	294	311	4	6	26	23	-	-	324	340
Other Intragovernmental Liabilities (Notes 10, 12)	24	23	9	9	95	73	-	-	128	105
Total Intragovernmental	800	802	37	38	140	107	23	20	954	927
Accounts Payable and Accrued Expenses - Public	974	966	1,004	1,138	11	8	-	-	1,989	2,112
Environmental and Disposal Liabilities (Notes 6, 11, 12)	2,171	2,397	-	-	69	69	-	-	2,240	2,466
Capital Lease and Installment Purchase Liability (Note 12)	551	518	-	-	-	-	-	-	551	518
Workers' Compensation Actuarial Liability (Notes 8, 12)	81	86	26	30	15	17	-	-	122	133
Unamortized Rent Abatement Liability (Note 12)	416	387	-	-	-	-	-	-	416	387
Annual Leave Liability (Notes 1-G, 12)	47	47	29	28	29	31	-	-	105	106
Deposit Fund Liability (Note 12)	-	-	-	-	44	42	-	-	44	42
Other Liabilities (Notes 10, 12)	29	31	55	11	30	22	-	-	114	64
<b>Total Liabilities</b>	<b>5,069</b>	<b>5,234</b>	<b>1,151</b>	<b>1,245</b>	<b>338</b>	<b>296</b>	<b>23</b>	<b>20</b>	<b>6,535</b>	<b>6,755</b>

<b>NET POSITION (Note 15)</b>										
Cumulative Results of Operations	27,194	26,326	5,033	5,169	388	362	-	-	32,615	31,857
Unexpended Appropriations	89	230	-	-	166	169	-	-	255	399
Total Net Position	27,283	26,556	5,033	5,169	554	531	-	-	32,870	32,256
<b>Total Liabilities and Net Position</b>	<b>\$32,352</b>	<b>\$31,790</b>	<b>\$6,184</b>	<b>\$6,414</b>	<b>\$892</b>	<b>\$827</b>	<b>\$23</b>	<b>\$20</b>	<b>\$39,405</b>	<b>\$39,011</b>

The accompanying notes are an integral part of these statements. See Accompanying Independent Auditors' Report.

# Consolidating Statements of Net Cost

For the Fiscal Years Ended September 30, 2015 and 2014  
(Dollars in Millions)

	2015			2014		
	REVENUES	EXPENSES	NET REVENUES FROM (COST OF) OPERATIONS	REVENUES	EXPENSES	NET REVENUES FROM (COST OF) OPERATIONS
<b>FEDERAL BUILDINGS FUND:</b>						
Building Operations - Government Owned	\$4,811	\$4,128	\$683	\$4,770	\$4,801	\$(31)
Building Operations - Leased	6,591	6,654	(63)	6,632	6,705	(73)
Subtotal	11,402	10,782	620	11,402	11,506	(104)
<b>ACQUISITION SERVICES FUND:</b>						
General Supplies and Services (Excluding Stock Program)	965	997	(32)	866	881	(15)
Travel, Motor Vehicles, and Card Services	1,701	1,684	17	1,772	1,679	93
Integrated Technology Services	1,689	1,662	27	1,705	1,692	13
Assisted Acquisition Services	3,790	3,793	(3)	4,179	4,177	2
Other Programs	90	167	(77)	76	77	(1)
Subtotal of Continuing Operations	8,235	8,303	(68)	8,598	8,506	92
Discontinued Operations: GS&S Stock Program	6	94	(88)	228	294	(66)
Subtotal	8,241	8,397	(156)	8,826	8,800	26
<b>OTHER FUNDS:</b>						
Working Capital Fund	681	687	(6)	692	623	69
Other General Funds	26	286	(260)	26	262	(236)
Subtotal	707	973	(266)	718	885	(167)
<b>INTRA-GSA ELIMINATIONS:</b>						
Less: Intra-GSA Eliminations	862	907	(45)	865	910	(45)
<b>GSA Consolidated Totals</b>	<b>\$19,488</b>	<b>\$19,245</b>	<b>\$243</b>	<b>\$20,081</b>	<b>\$20,281</b>	<b>\$(200)</b>

The accompanying notes are an integral part of these statements. See Accompanying Independent Auditors' Report.

# Consolidating Statements of Changes in Net Position

For the Fiscal Years Ended September 30, 2015 and 2014  
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>BEGINNING BALANCE OF NET POSITION:</b>										
Cumulative Results of Operations	\$26,326	\$26,618	\$5,169	\$5,123	\$362	\$256	\$ -	\$ -	\$31,857	\$31,997
Unexpended Appropriations	230	516	-	-	169	153	-	-	399	669
Net Position Beginning Balance	26,556	27,134	5,169	5,123	531	409	-	-	32,256	32,666
<b>RESULTS OF OPERATIONS:</b>										
Net Revenues From (Cost of) Operations	620	(104)	(156)	26	(266)	(167)	(45)	(45)	243	(200)
Appropriations Used (Note 1-C)	141	286	-	-	243	224	-	-	384	510
Non-Exchange Revenue (Notes 1-C, 1-D)	-	-	-	-	92	110	-	-	92	110
Imputed Financing Provided By Others	58	69	39	44	30	33	45	45	82	101
Transfer of Earnings Paid and Payable to U.S. Treasury	-	-	-	(11)	(73)	(89)	-	-	(73)	(100)
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	49	(544)	(19)	(13)	12	-	-	-	42	(557)
Other	-	1	-	-	(12)	(5)	-	-	(12)	(4)
Net Results of Operations	868	(292)	(136)	46	26	106	-	-	758	(140)
<b>CHANGES IN UNEXPENDED APPROPRIATIONS:</b>										
Appropriations Received	-	-	-	-	241	241	-	-	241	241
Appropriations Used	(141)	(286)	-	-	(243)	(224)	-	-	(384)	(510)
Appropriations Adjustments and Transfers From Other Agencies or Funds	-	-	-	-	(1)	(1)	-	-	(1)	(1)
Net Change in Unexpended Appropriations	(141)	(286)	-	-	(3)	16	-	-	(144)	(270)
<b>ENDING BALANCE OF NET POSITION:</b>										
Cumulative Results of Operations	27,194	26,326	5,033	5,169	388	362	-	-	32,615	31,857
Unexpended Appropriations	89	230	-	-	166	169	-	-	255	399
Net Position Ending Balance	\$27,283	\$26,556	\$5,033	\$5,169	\$554	\$531	\$ -	\$ -	\$32,870	\$32,256

The accompanying notes are an integral part of these statements. See Accompanying Independent Auditors' Report.

# Combining Statements of Budgetary Resources

For the Fiscal Years Ended September 30, 2015 and 2014  
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		GSA COMBINED TOTALS	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>BUDGETARY RESOURCES</b>								
Unobligated Balance from Prior Year Budget Authority:								
Unobligated Balance Brought Forward, October 1	\$4,465	\$4,118	\$2,074	\$2,109	\$247	\$206	\$6,786	\$6,433
Recoveries of Prior Year Unpaid Obligations	195	238	230	346	14	25	439	609
Other Changes in Unobligated Balance	-	(2,182)	-	(11)	(6)	(3)	(6)	(2,196)
Unobligated Balance from Prior Year Budget Authority, Net	4,660	2,174	2,304	2,444	255	228	7,219	4,846
Appropriations, Net	-	-	-	-	263	260	263	260
Spending Authority from Offsetting Collections:								
Collections	11,465	11,704	9,888	9,910	710	733	22,063	22,347
Change in Uncollected Customer Payments	(293)	(452)	171	478	(10)	(5)	(132)	21
Previously Unavailable	2,941	4,729	-	-	-	-	2,941	4,729
Resources Temporarily Not Available	(3,567)	(2,941)	-	-	-	-	(3,567)	(2,941)
Total Spending Authority from Offsetting Collections	10,546	13,040	10,059	10,388	700	728	21,305	24,156
Total Budgetary Resources	15,206	15,214	12,363	12,832	1,218	1,216	28,787	29,262
<b>STATUS OF BUDGETARY RESOURCES</b>								
Obligations Incurred:								
Direct								
Category A	-	-	-	-	174	258	174	258
Category B	106	29	-	-	82	13	188	42
Reimbursable								
Category A	-	-	1,015	1,034	732	698	1,747	1,732
Category B	10,881	10,720	9,499	9,724	4	-	20,384	20,444
Total Obligations Incurred	10,987	10,749	10,514	10,758	992	969	22,493	22,476
Unobligated Balance:								
Apportioned	4,205	4,442	1,849	2,074	59	89	6,113	6,605
Unapportioned	14	23	-	-	167	158	181	181
Total Unobligated Balance, End of Period	4,219	4,465	1,849	2,074	226	247	6,294	6,786
Total Status of Budgetary Resources	15,206	15,214	12,363	12,832	1,218	1,216	28,787	29,262
<b>CHANGE IN OBLIGATED BALANCE</b>								
Unpaid Obligations:								
Unpaid Obligations, Brought Forward, October 1, Gross	3,479	3,635	4,601	4,372	340	242	8,420	8,249
Obligations Incurred	10,987	10,749	10,514	10,758	992	969	22,493	22,476
Outlays, Gross	(10,467)	(10,667)	(9,886)	(10,183)	(938)	(846)	(21,291)	(21,696)
Recoveries of Prior Year Unpaid Obligations	(195)	(238)	(230)	(346)	(14)	(25)	(439)	(609)
Unpaid Obligations, End of Period, Gross	3,804	3,479	4,999	4,601	380	340	9,183	8,420
Uncollected Payments:								
Uncollected Customer Payments, Brought Forward, October 1	(4,040)	(4,492)	(5,545)	(5,067)	(27)	(32)	(9,612)	(9,591)
Change in Uncollected Customer Payments from Federal Sources	293	452	(171)	(478)	10	5	132	(21)
Uncollected Customer Payments from Federal Sources, End of Period	(3,747)	(4,040)	(5,716)	(5,545)	(17)	(27)	(9,480)	(9,612)
Obligated Balance, Start of Year, Oct 1:	(561)	(857)	(944)	(695)	313	210	(1,192)	(1,342)
Obligated Balance, End of Period:	57	(561)	(717)	(944)	363	313	(297)	(1,192)
<b>BUDGET AUTHORITY AND OUTLAYS, NET</b>								
Budget Authority, Gross	10,546	13,040	10,059	10,388	963	988	21,568	24,416
Actual Offsetting Collections	(11,465)	(11,704)	(9,888)	(9,910)	(710)	(733)	(22,063)	(22,347)
Change in Uncollected Customer Payments from Federal Sources	293	452	(171)	(478)	10	5	132	(21)
Budget Authority, Net	(626)	1,788	-	-	263	260	(363)	2,048
Gross Outlays	10,467	10,667	9,886	10,183	938	846	21,291	21,696
Less: Offsetting Collections	(11,465)	(11,704)	(9,888)	(9,910)	(710)	(733)	(22,063)	(22,347)
Net Outlays from Operating Activity	(998)	(1,037)	(2)	273	228	113	(772)	(651)
Distributed Offsetting Receipts	-	-	-	-	(107)	(114)	(107)	(114)
Total Net Outlays	\$(998)	\$(1,037)	\$(2)	\$273	\$121	\$(1)	\$(879)	\$(765)

The accompanying notes are an integral part of these statements. See Accompanying Independent Auditors' Report.

# Required **Supplementary** **Information** (*Unaudited*)

## **FEDERAL BUILDINGS FUND DEFERRED MAINTENANCE AND REPAIRS**

In FY 2014, GSA implemented FASAB SFFAS No. 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32*, which amended the RSI presentation requirements.

GSA reports Deferred Maintenance and Repairs consistent with the definition in SFFAS 42:

*Deferred maintenance and repairs (DM&R) are maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.*

GSA utilizes a Physical Condition Survey (PCS) tool to determine the amount of all R&A needed to correct major components or systems deficiencies and restore its owned buildings (and certain leased buildings where GSA has responsibility for R&A) to an acceptable condition, as well as R&A that will be required in the next several years. GSA requires a PCS for every government-owned, leased, or delegated asset that meets all the following criteria according to the Real Estate Across the United States (REXUS) system:

- GSA has R&A responsibility
- The asset maintains an “active” or “excess” status
- The asset has a real property type of “building” or “structure”

No assets meeting the criteria identified above are excluded from this requirement. The surveys are conducted biennially to inspect and electronically document building conditions, with approximately half of the building inventory being surveyed each year. The PCS is a 37 question survey that provides a regular and consistent assessment of the physical condition of each building’s basic structure and systems and an overall assessment of GSA’s building inventory. The process of identifying building deficiencies and developing a multi-year plan of repairs and alterations projects begins with the PCS. All repair and alteration projects, not just those associated with DM&R, are prioritized using established weights of the pre-defined criteria and placed in order of importance.

Data collected in the PCS is gathered to support GSA’s overall building assessment, workload planning, and budgeting needs, and is not designed to specifically capture data that would be defined as DM&R. However, subsets of the workload planning directly results from conditions classified as DM&R. GSA has determined from analysis of data in PCS, that when applying certain data criteria, results can be used to provide a reasonable estimate to meet the FASAB DM&R reporting objectives. At the end of FYs 2015 and 2014, based on the analysis of the PCS results, GSA estimates the total cost of DM&R to be approximately \$1,230 million and \$1,228 million, respectively, for activities categorized as work needing to be performed immediately to restore or maintain acceptable condition of the building inventory.

## SUPPLEMENTAL SCHEDULE OF BUDGETARY RESOURCES

In its principal financial statements, balances reported for the FBF includes activities funded by appropriations provided by the ARRA. To provide distinct budgetary and financial visibility of ARRA activities, a separate Treasury Account Fund Symbol (TAFS) was created for the FBF ARRA activities to allow tracking and distinction from the main TAFS used for the FBF. As the FBF ARRA activities are a very significant component of the total FBF budgetary results, below is a schedule showing the activities of the individual TAFS for the years ended September 30, 2015, and 2014 (dollars in millions):

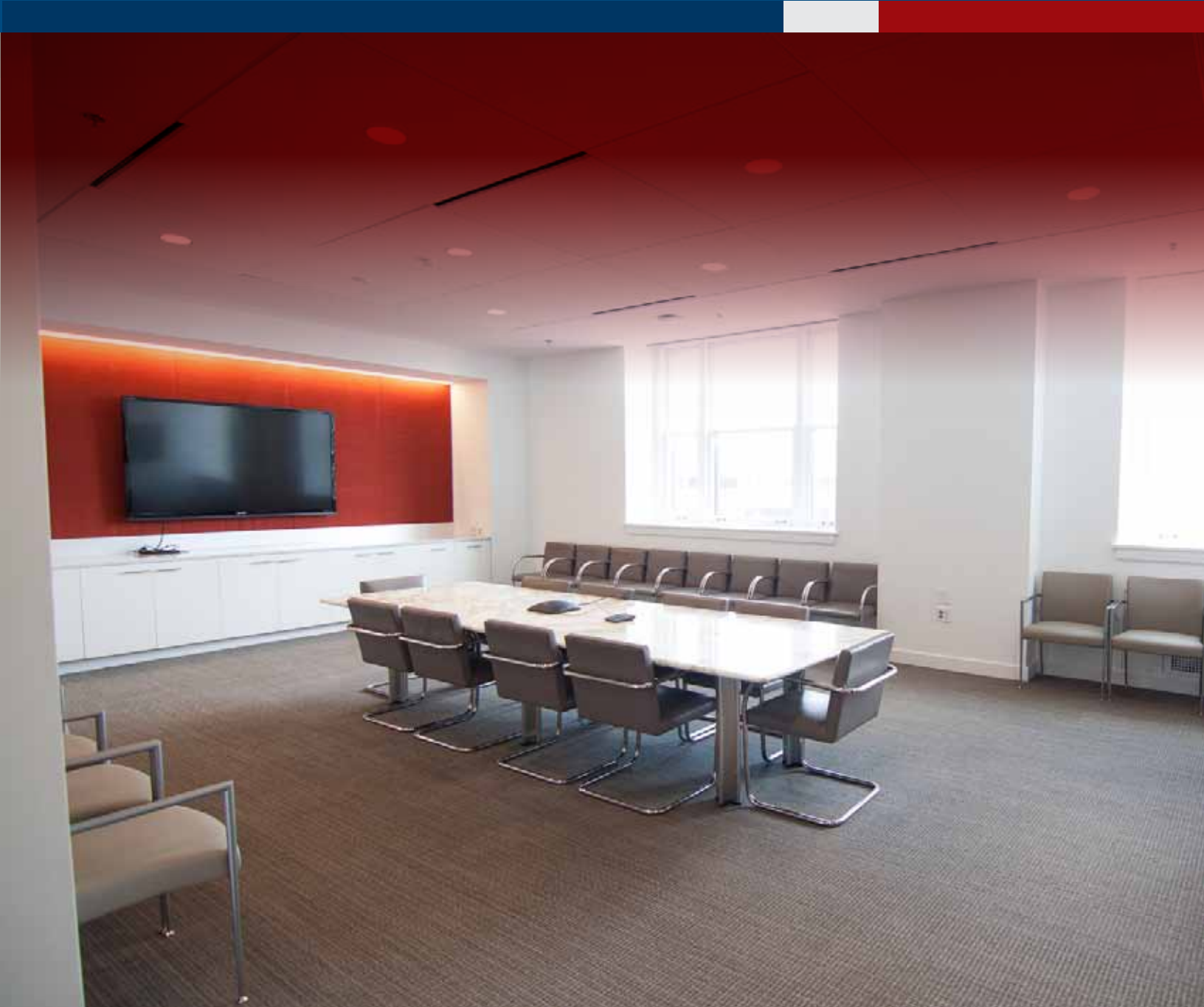
	FBF - MAIN ACCOUNT		FBF - ARRA		FBF TOTAL	
	2015	2014	2015	2014	2015	2014
<b>BUDGETARY RESOURCES</b>						
Unobligated Balance from Prior Year Budget Authority:						
Unobligated Balance Brought Forward, October 1	\$4,431	\$4,096	\$34	\$22	\$4,465	\$4,118
Recoveries of Prior Year Unpaid Obligations	151	203	44	35	195	238
Other Changes in Unobligated Balance	-	(2,182)	-	-	-	(2,182)
Unobligated Balance from Prior Year Budget Authority, Net	4,582	2,117	78	57	4,660	2,174
Appropriations	-	-	-	-	-	-
Spending Authority from Offsetting Collections:						
Collections	11,465	11,704	-	-	11,465	11,704
Change in Uncollected Customer Payments	(293)	(452)	-	-	(293)	(452)
Previously Unavailable	2,941	4,729	-	-	2,941	4,729
Resources Temporarily Not Available	(3,567)	(2,941)	-	-	(3,567)	(2,941)
Transfers	-	-	-	-	-	-
Total Spending Authority from Offsetting Collections	10,546	13,040	-	-	10,546	13,040
Total Budgetary Resources	15,128	15,157	78	57	15,206	15,214
<b>STATUS OF BUDGETARY RESOURCES</b>						
Obligations Incurred:						
Direct Category B	73	6	33	23	106	29
Reimbursable Category B	10,881	10,720	-	-	10,881	10,720
Total Obligations Incurred	10,954	10,726	33	23	10,987	10,749
Unobligated Balance:						
Apportioned	4,172	4,431	33	11	4,205	4,442
Unapportioned	2	-	12	23	14	23
Total Unobligated Balance, End of Period	4,174	4,431	45	34	4,219	4,465
Total Status of Budgetary Resources	15,128	15,157	78	57	15,206	15,214
<b>CHANGE IN OBLIGATED BALANCE</b>						
Unpaid Obligations:						
Unpaid Obligations, Brought Forward, October 1, Gross	3,292	3,145	187	490	3,479	3,635
Obligations Incurred	10,954	10,726	33	23	10,987	10,749
Outlays, Gross	(10,305)	(10,376)	(162)	(291)	(10,467)	(10,667)
Recoveries of Prior Year Unpaid Obligations	(151)	(203)	(44)	(35)	(195)	(238)
Unpaid Obligations, End of Period, Gross	3,790	3,292	14	187	3,804	3,479
Uncollected Payments:						
Uncollected Customer Payments, Brought Forward, October 1	(4,040)	(4,492)	-	-	(4,040)	(4,492)
Change in Uncollected Customer Payments from Federal Sources	293	452	-	-	293	452
Uncollected Customer Payments from Federal Sources, End of Period	(3,747)	(4,040)	-	-	(3,747)	(4,040)
Obligated Balance, Start of Year, Oct 1:	(748)	(1,347)	187	490	(561)	(857)
Obligated Balance, End of Period:	43	(748)	14	187	57	(561)
<b>BUDGET AUTHORITY AND OUTLAYS, NET</b>						
Budget Authority, Gross	10,546	13,040	-	-	10,546	13,040
Actual Offsetting Collections	(11,465)	(11,704)	-	-	(11,465)	(11,704)
Change in Uncollected Customer Payments from Federal Sources	293	452	-	-	293	452
Budget Authority, Net	(626)	1,788	-	-	(626)	1,788
Gross Outlays	10,305	10,376	162	291	10,467	10,667
Less: Offsetting Collections	(11,465)	(11,704)	-	-	(11,465)	(11,704)
Net Outlays from Operating Activity	(1,160)	(1,328)	162	291	(998)	(1,037)
Total Net Outlays	\$(1,160)	\$(1,328)	\$162	\$291	\$(998)	\$(1,037)

Unaudited - See Accompanying Independent Auditors' Report





# Other Information





**U.S. General Services Administration**  
**Office of Inspector General**

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October 13, 2015

MEMORANDUM FOR: Denise Turner Roth  
Administrator (A)

FROM: Carol F. Ochoa *Carol F. Ochoa*  
Inspector General (J)

SUBJECT: Assessment of GSA's Major Management Challenges for  
Fiscal Year 2016

As required by the Reports Consolidation Act of 2000, Public Law 106-531, the Office of Inspector General prepared the attached statement summarizing what we consider to be the most significant management and performance challenges facing GSA. The statement also includes a brief assessment of the Agency's progress in addressing those challenges.

Please review and provide comments to append to our assessment at your earliest convenience. If you have any questions or wish to discuss our assessment further, please call me at (202) 501-0450. If your staff needs any additional information, they may also contact Theodore R. Stehney, Assistant Inspector General for Auditing, at (202) 501-0374.

Attachment

1800 F Street, NW, Washington, DC 20405

## THE OFFICE OF INSPECTOR GENERAL'S ASSESSMENT OF GSA'S MAJOR MANAGEMENT CHALLENGES

OCTOBER 2015

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) annually identifies what it considers the most significant management challenges facing the U.S. General Services Administration (GSA). This effort highlights the most demanding issues based on management's assessment of likelihood, impact to stakeholders, and anecdotal evidence. Some challenges represent an inherent risk to the Agency's mission or programs and are not necessarily a reflection of deficiency in performance. As such, GSA management may not be able to eliminate some challenges but should continue to take steps to mitigate these challenges.

### ACQUISITION PROGRAMS

GSA has a fundamental mission to create efficiency for the federal government in the acquisition of goods and services. GSA attempts to accomplish this by consolidating the buying power of the federal government to obtain quality products and services at the best available price.

#### **ISSUE: GSA continues to face challenges within the GSA Schedules Program.**

GSA's Schedules Program<sup>1</sup> remains one of its largest procurement programs with approximately 17,250 contracts and \$32.7 billion in sales in fiscal year (FY) 2014. GSA's Federal Acquisition Service (FAS) manages the program, which aims to provide federal agencies and other authorized users with the best value through a simplified procurement process for purchasing over 11 million commercial products and services. Several challenges face the GSA Schedules Program. These include: pricing; contractor compliance; contract workload management; hiring, development, and retention of the contracting officer workforce; and the proposed changes to the General Services Administration Acquisition Regulation (GSAR). In addition, some customer agencies have expressed a concern that the pricing under the Schedules Program is not fair and reasonable.

#### **Pricing**

GSA's Schedules Program is a commercial item program that operates under the premise that contractors routinely sell commercial products and services in competitive

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<sup>1</sup> Also referred to as Multiple Award Schedules and Federal Supply Schedules.

markets and market forces establish fair and reasonable prices. Under this premise, the contracting officer's price analysis, which is a key step in determining fair and reasonable pricing, involves evaluating a contractor's offered prices or discounts and comparing them to prices or discounts the contractor offers to its commercial customers. However, a growing number of agencies no longer believe prices under the Schedules Program are fair and reasonable. In fact, the Department of Defense and the National Aeronautics and Space Administration have issued deviations to the Federal Acquisition Regulation requiring their contracting officers to make an independent determination of price reasonableness on orders against GSA schedules.

GSA is currently transforming its Schedules Program and transitioning its pricing strategy to include a comparison of offered prices to actual government sales. We are concerned that the overreliance on actual prices paid by the government will significantly weaken the connection of schedule prices with the commercial marketplace.

The Federal Acquisition Regulation emphasizes the need for contracting officers to perform price analysis to establish fair and reasonable pricing. To improve schedule pricing, GSA has implemented several initiatives and developed additional pricing tools. In May 2015, GSA launched the Competitive Pricing Initiative. This initiative is an analysis of a contractor's contract (or proposed) pricing compared to prices offered by other contractors who offer the identical item in the government marketplace. The intent of this initiative is to address price variabilities, flatten out pricing differences for identical items, and ultimately improve schedule pricing.

GSA also launched a new tool, the Contract Awarded Labor Category tool, that allows contracting officers to conduct market research and price analysis for professional labor categories across a database of contract awarded prices for 48,000 labor categories from over 5,000 GSA contracts. The tool allows the user to search prices by labor category and to filter by education level, experience, worksite, and schedule. It does not provide the actual government prices paid by labor category or the discounts offered or granted to customer agencies. Furthermore, the tool does not consider other factors (such as geographic locations or basic requirements such as mandated professional licensing or certification) that are essential to ensure that a valid comparison is conducted.

In March 2015, GSA proposed a change to the GSAR in order to obtain transactional or prices paid data from schedule contractors. However, the proposed change removes all mandatory price reductions currently afforded under the Price Reductions clause. We agree that a pilot to assess the effectiveness and quantifiable savings resulting from the



use of transactional data would be beneficial. However, we are concerned that the proposed alterations to the Price Reductions clause will eliminate current price protections that cannot be replaced by the collection and use of transactional data alone, thereby exposing taxpayer dollars to unnecessary risk. We are also concerned that, with the various pricing initiatives underway and GSA's fair and reasonable determination shifting from an analysis of how the contractor's proposed price compares to the rest of its commercial customers, it may be challenging for GSA to: (1) ensure the acquisition workforce is prepared and able to implement and use the initiatives as intended, and (2) get its customers to rely on its pricing as fair and reasonable.

#### ***Contractor Compliance***

We continue to be concerned that schedule contractors are not complying with all of the schedule terms and conditions based on the prevalence of the issues identified in our preaward and postaward audits of schedule contracts. Contractors are responsible for: (1) submitting current, accurate, and complete information; (2) reporting price reductions; (3) billing in accordance with contract terms and conditions; (4) identifying and reporting schedule contract sales for Industrial Funding Fee payment purposes; and (5) providing labor that meets contract-stipulated minimum education and experience qualifications.

During FY 2014, our preaward audits identified over 75 percent of audited contractors did not disclose current, accurate, and/or complete commercial sales practices information. In addition, over 40 percent of audited contractors did not have adequate systems to accumulate and report schedule sales and 25 percent of audited services contractors did not supply labor that met the minimum educational and/or experience qualifications required by the contract.

In FY 2014, we identified compliance issues requiring refunds to the government on over 50 percent of our schedule contract audits. These compliance issues resulted in over \$24 million in recommended recoveries.

While not specifically identified during an audit, instances of non-compliance with contract terms recently resulted in contractors agreeing to pay the government over \$134 million to settle alleged overbillings.

#### ***Contract Workload Management***

Contracting officers evaluate and process new offers, modifications, and options to extend existing contracts, as well as perform general contract oversight. In FY 2014, FAS's contracting officers awarded and administered approximately 17,250 schedule



contracts. In FYs 2013 and 2014, on average, each contracting officer administered 86 contracts.

In FY 2014, about 32 percent of schedule contracts had no sales. Although FAS has identified and eliminated a small percentage of contracts with no sales, a significant number remain. The challenge for FAS is ensuring that a contracting officer's workload does not affect the timeliness and quality of contract actions. Administering schedule contracts with little or no sales negatively affects a contracting officer's time to thoroughly evaluate substantive contract actions such as award proposals and modifications. Eliminating the unnecessary administration of contracts with no sales will enable contracting officers to more effectively manage their workload.

#### ***Hiring, Development, and Retention of the Contracting Officer Workforce***

Contracting officers are responsible for negotiating and managing schedule contracts that generate over \$32 billion in annual sales. These acquisitions have steadily shifted from products and services to full acquisition solutions. This shift is occurring as requirements are also becoming more technically and financially complex. As the types of acquisitions continue to evolve, FAS is challenged to develop a well-trained acquisition workforce with the skill sets necessary to provide innovative solutions for customer agencies at the best value.

In FY 2014, GSA's Senior Procurement Executive stated that over the last 5 years, GSA has experienced a 39 percent attrition rate in its acquisition workforce (many of them contract specialists/contracting officers) and currently has an 18 percent vacancy rate. In addition, 21 percent of the acquisition workforce will be eligible to retire in the next 2 years.

In FY 2015, we reported to the FAS Commissioner that contracting officers were not receiving specialized training necessary to perform their jobs. The limited availability of schedule-related training puts the government at an increased risk that schedule contracts may be improperly awarded and/or administered.

The contracting occupation is a "mission critical component of GSA," as stated in GSA's 1102 Workforce Analysis Study. Accordingly, it is essential that GSA ensures that its acquisition workforce has the talent, skill, and experience needed. Furthermore, as contracting officers participate in GSA's Telework Program, it is essential that FAS continues to ensure that contracting officers are productive and their development and training needs are met.

Taking steps to ensure the Agency has sufficient qualified and well-trained contracting officers and acquisition professionals is critical for GSA to fulfill its mission to provide innovative solutions that will support the requirements of customer agencies. FAS should focus on instituting the best methods to hire, develop, and retain qualified contracting officers and acquisition professionals to support the future success of the Schedules Program.

#### ***Proposed Changes to the GSAR***

While initially started in January 2009, GSA's efforts to amend GSAR Part 538, Federal Supply Schedule Contracting, continue to evolve into a larger governmentwide initiative to transform its Schedules Program through the common acquisition platform, category management, and transactional or prices paid data.

FAS's common acquisition platform, an online tool, is intended to provide a new view of the "fragmented" federal acquisition environment that will drive the government to buy and act as one acquisition community. Specifically, the common acquisition platform is intended to provide government buyers with comprehensive information about existing contract vehicles from multiple agencies, current market trends and expertise, transactional data, and best practices that will assist them in navigating the acquisition marketplace.

The common acquisition platform is under development to support the government's category management initiative. This initiative is a strategic approach to manage commonly purchased goods and services as a single enterprise through common categories of spending (instead of individual products or brands) such as information technology (IT) hardware and software. When fully implemented, FAS claims category management will provide government buyers a more holistic view of the acquisition marketplace, which will lead to data-driven decisions, better purchasing options, and taxpayer savings.

These initiatives have "distinct transformation projects" aimed at reducing price variability and minimizing cycle times for contract modifications and new orders. Specifically, GSA has formally proposed through the GSAR Part 538 rewrite process, the following business cases.

- **Transactional Data Reporting Rule** – GSA proposed this rule to require contractors to electronically report transactional data from orders and prices paid by government customers, across all of its governmentwide acquisition vehicles, which includes the Schedules Program. GSA also proposes the elimination of the basis of award tracking requirement for price reduction purposes.

- **Order-Level Materials Rule** – GSA proposed this rule to implement existing Federal Acquisition Regulation authority to allow agencies to add materials to their schedule orders without entering into a separate contract.

Additionally, as GSA has embarked on a number of initiatives since the start of the GSAR Part 538 rewrite in 2009, the effort is still ongoing. We continue to highlight the need for strengthened controls over the entire Schedules Program during this lengthy transformation.

#### AGENCY ACTIONS:

GSA acknowledged that providing the acquisition workforce better tools and access to more data is crucial to both the success of the Schedules Program and its ability to deliver a competitive contract solution to GSA customers and industry partners. To accomplish these goals, GSA implemented several initiatives to improve pricing and be more transparent to its customers. These initiatives range from price comparison tools to reducing price disparities for identical items, while also providing more transparency and information to federal buyers.

In addition, GSA indicated that it is using a new contractor assessment report to evaluate schedule contractors. The report is designed to provide timely and tailored feedback to contractors and contracting officers on issues pertinent to contract compliance.

According to GSA, to alleviate contract workload issues, it is looking at additional ways to streamline the acquisition process, automate functions, and cancel contracts with no sales.

GSA management acknowledged that developing the acquisition workforce is essential to the efficiency, effectiveness, and stewardship of Agency objectives. The Senior Procurement Executive recommended rethinking acquisition training, in part, to increase critical thinking skills. According to GSA, the Federal Acquisition Institute, which is one of GSA's main sources for acquisition workforce training, has been adding content to its training courses that focuses on how people actually buy, including more courses on task order contracting. In addition, GSA created the Acquisition Portal as a one-stop-shop for acquisition workforce resources in an effort to strengthen their acquisition skills. Further, FAS's Office of Acquisition Management has developed and finalized the Awarding and Administering Multiple Award Schedules course. GSA indicated that this new course will be available for the acquisition workforce by the end of FY 2015.



GSA management also recognized that the entire GSAR Part 538 rewrite effort has been a lengthy one. However, GSA does not have a revised timeframe for completing the full GSAR Part 538 rewrite beyond the cases currently and partially in progress.

**ISSUE: *GSA faces challenges as it moves toward transactional data reporting.***

On March 4, 2015, GSA issued a proposed rule in the Federal Register on transactional data reporting.<sup>2</sup> Transactional data reporting is a catalyst to move GSA towards category management – a major Agency initiative that is intended to allow GSA and its customer agencies to manage purchases and pricing as an entire category, as opposed to individually. GSA expects that this will bring about an increase in the efficiency and effectiveness surrounding key categories of federal procurement (e.g., IT, professional services, and security and protection), while reducing associated costs and redundancies. Although transactional data reporting is a key component of category management, GSA faces significant challenges in implementing the requirements as outlined in the proposed rule.

The proposed rule includes a transactional data reporting clause that would require GSA contract holders to report prices paid by government customers for products and services delivered during the performance of their respective contracts. This clause would be included immediately in GSA's governmentwide non-Federal Supply Schedules contracts. For Federal Supply Schedules, the clause will be introduced in phases beginning with a pilot program for select products and commoditized services. GSA will evaluate the pilot program based upon prices and quality metrics it will establish, and commercial benchmarks it will identify, prior to launching the program.

The Federal Register Notice stresses that contractors would still be subject to commercial sales practices disclosure requirements, including the requirement to disclose commercial sales practices when requesting a contract modification for additional items. GSA will also maintain the right throughout the life of the Federal Supply Schedule contracts to request updates to the commercial sales practices.<sup>3</sup> In addition, the proposed rule includes significant changes to the existing Price Reductions clause.<sup>4</sup> Specifically, the proposed rule would remove the basis of award tracking

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<sup>2</sup> GSAR Case 2013-G504.

<sup>3</sup> The commercial sales format is used to negotiate pricing on Federal Supply Schedule contracts.

<sup>4</sup> GSAR Part 552.238-75, Price Reductions (May 2004).

requirement of the Price Reductions clause, as well as all mandatory price protections currently afforded under the clause.<sup>5</sup>

We support GSA's collection and use of Federal Supply Schedule transactional data as an additional tool to secure best value for customer agencies and thus, the taxpayer. A pilot program to assess the effectiveness and quantifiable savings resulting from the transactional data would be beneficial. However, we are concerned that the proposed alterations to the Price Reductions clause would eliminate current price protections that cannot be replaced by the collection and use of transactional data alone.

The proposed rule and the related information presented in the Federal Register Notice raises significant concerns. Specifically:

1. The proposed alternate Price Reductions clause eliminates all price protections from the clause without justification. Further, the government experiences an immediate loss of contractual price protections without an equivalent gain.
2. Under the proposed rule, contracting officers may over-rely on transactional data at the expense of commercial price analysis. Without an effective link to the commercial marketplace, customer agencies may not receive the best price.
3. The proposed rule is based upon an assumption that contractors will be able to provide complete and accurate transactional data. In addition, it does not include an estimate of the time and resources required for systems architecture and costs associated with transactional data analyses. Moreover, the proposed rule does not contain an enforcement provision to ensure contractors comply with the data reporting requirements.
4. The expansion of transactional data reporting to services – which make up two-thirds of Federal Supply Schedule sales – will be challenging due to the difficulty of standardizing labor categories. Additionally, the Notice lacks specifics regarding how GSA will evaluate the pilot program.

#### AGENCY ACTIONS:

On April 17, 2015, GSA held a public meeting to conduct a dialogue with contractors, industry groups, and other interested parties. During this meeting, we presented the

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<sup>5</sup> Prior to a contract award, GSA and a contractor agree upon a basis of award customer/category of customers and the government's price or discount relationship to the identified customer. If there is a change in the contractor's commercial pricing or discount arrangement with the basis of award customer, GSA would receive a comparable price reduction as well.



concerns listed above. In addition, other commenters raised concerns regarding, among other things, how GSA will safeguard the transactional data once it is submitted, how frequently GSA will request commercial sales practices disclosures, and the accuracy of contractors' time and administrative costs required to comply with the proposed rule. Interested parties were given until May 11, 2015, to submit written comments to the proposed rule. GSA is currently considering the comments and feedback received and how to proceed with this process.

**ISSUE: *FAS is challenged to develop its acquisition personnel to award, administer, and manage the One Acquisition Solution for Integrated Services contracts.***

In 2014, after a 2-year acquisition development process, GSA awarded its 10-year, multi-billion dollar One Acquisition Solution for Integrated Services (OASIS) and OASIS Small Business contracts. The contracts are multiple award, indefinite delivery, indefinite quantity contracts that provide a wide range of professional services including consulting, financial and accounting, IT, and engineering. GSA designed the OASIS contracts to reduce duplicative contracting efforts across the government and acquisition times for federal agencies looking to purchase complex professional services. Further, the OASIS contracts allow the award of cost reimbursement and other contract types not available under the Schedules Program.

The contracts have generated considerable customer interest and Department of Defense customers have committed to award \$1 billion annually under the OASIS contracts. GSA has indicated that the OASIS contracts require a higher level of expertise and skill sets than those necessary under the Schedules Program. As discussed previously in this document, GSA is challenged with developing a well-trained acquisition workforce to award and administer its Schedules Program.

**AGENCY ACTIONS:**

According to FAS management, FAS is in the process of developing a dedicated team of acquisition personnel to support the OASIS contracts.

**ISSUE: *GSA continues to face challenges to meet the government's evolving needs for telecommunication and integrated technology infrastructure solutions.***

FAS managed the conversion from the FTS2001 and crossover contracts to the Networx Universal and Enterprise contracts (Networx), one of the largest telecommunications services transitions ever undertaken by the federal government.

The transition was to be completed in 39 months, but instead took 72 months due to delays. In December 2013, the Government Accountability Office (GAO) issued a report on the factors that contributed to the delays and to what extent GSA documented and applied lessons learned as it prepared for the next telecommunications contract transition. GAO recommended that, in preparing for the next transition and in coordination with the Office of Personnel Management, GSA should examine potential governmentwide contracting and technical expertise shortfalls; provide agencies guidance on project planning; and fully archive, share, and prioritize lessons learned.

FAS is currently transitioning from Networx to the Network Services 2020 (NS2020) telecommunications portfolio. According to FAS, the NS2020 portfolio will include multiple pre-competed contracts designed to provide customer agencies with a range of products and services. These products and services include, but are not limited to, telecommunications, cloud services, call centers, and related hardware.

The transition to NS2020 is structured as a four-phase process. In the planning phase, FAS reported that it established a transition working group, recommended a standard process, and provided customer education. In the direct transition preparation phase, FAS plans to issue the Request for Proposal, evaluate offers, and negotiate with contractors. FAS's target for awarding the NS2020 contract is 2017, with a 3-year transition phase from Networx to run through 2020. Concurrently with all other phases, agencies will complete the active inventory management phase to continuously manage and validate their service inventories.

This transition is a monumental undertaking for FAS. With the past challenges of transitioning from the FTS2001 and crossover contracts to Networx, the transition to NS2020 is garnering much attention. While FAS strives to meet the government's evolving telecommunications needs, it must ensure the NS2020 transition is timely, without interrupting service.

#### AGENCY ACTIONS:

FAS held meetings with the Office of Management and Budget (OMB) and Congress to discuss transition initiatives. FAS also stated that it has conducted regular meetings with the NS2020 working group to identify end user needs. In addition, FAS issued two white papers in April 2014 regarding the NS2020 transition. The first outlined the overall NS2020 strategy while the second outlined the NS2020 transition strategy. That same month, FAS released a Request for Information for the NS2020 Enterprise Infrastructure Solutions with a draft Request for Proposal following in February 2015. FAS anticipated issuing the final Request for Proposal in September 2015.

The Enterprise Infrastructure Solutions program is the foundation for the NS2020 strategy and is a vehicle to address all aspects of federal agency IT infrastructure requirements. It is intended to meet the needs of agencies that are currently using Networx contracts and the GSA Regional Local Service Agreement contracts. FAS is currently targeting FY 2017 for the Enterprise Infrastructure Solutions to be available, with a 15-year period of performance. FAS has also reportedly started discussions on contract extensions for the Networx contracts. Originally set to expire in March and May 2017, FAS plans to extend them into 2020 to ease the NS2020 transition. The intent of this extension is to ensure that agencies have access to uninterrupted services.

### **GSA's REAL PROPERTY OPERATIONS**

GSA's Public Buildings Service (PBS) is the landlord for the federal civilian government, providing federal agencies with the real property, including offices, courthouses, and labs, needed to accomplish their missions. To meet these needs, PBS must manage its real property portfolio of leased and owned properties; operate and maintain these properties; acquire space through construction, purchase, and leasing as customers' needs arise; and dispose of properties that are no longer needed. PBS faces several challenges in fulfilling its mission to meet its customers' needs effectively, efficiently, and economically.

**ISSUE: GSA needs to develop a portfolio strategy to meet OMB's "Reduce the Footprint" initiative.**

In 2013, OMB implemented the "Freeze the Footprint" strategy and subsequently introduced the "Reduce the Footprint" initiative in 2015. Under "Freeze the Footprint," federal agencies were required to develop plans on how to *refrain from expanding* their space; under "Reduce the Footprint," agencies are required to plan on ways to *actually reduce* their space. GSA plays a major role in both initiatives by monitoring implementation by other federal agencies.

GSA's last major portfolio strategy, known as portfolio restructuring, was developed in the early 2000s. That strategy was a systematic approach to restructure GSA's inventory of owned assets so that it consisted primarily of strong income-producing properties generating sufficient funds to meet their own capital reinvestment needs. The initiative advocated leasing, if possible, to meet space needs when owned properties were not financially self-sufficient.

The initiative was driven by the financial condition of the Federal Buildings Fund, GSA's quasi-revolving fund for its buildings operations. At that time, the Federal Buildings Fund was having difficulties generating funds to meet the capital needs of GSA's



building portfolio. Given this environment, portfolio restructuring sought to reduce the GSA building inventory by disposing of assets that were not financially viable and finding alternative solutions.

Under portfolio restructuring, GSA developed assessment tools such as tiering to evaluate each asset's financial performance as well as the asset's condition. It also developed the core asset analysis to determine each asset's holding period to assist in determining the allocation of repair and alteration funds.

Currently, GSA's portfolio strategy is based on portfolio restructuring and continues to use the same assessment tools. GSA's strategy seeks to analyze customer agency needs, GSA assets, and market dynamics to develop strategies for each asset in the portfolio. However, during a recent audit, we found that, although GSA was developing asset strategies based on tiering and core asset analysis, it was not developing action steps to implement the strategies.

GSA needs to develop a new portfolio strategy that will work in conjunction with the "Reduce the Footprint" initiative. The strategy needs to address the initiative's emphasis on co-location of agency components, consolidation into government owned space, and disposal of unneeded space. It should also address the impact of the initiative on GSA's real property operations including asset management, property disposal, facility management, project management, and customer relations.

#### AGENCY ACTIONS:

According to GSA, it has taken action to help fund consolidation projects and better use existing assets. For instance, using \$70 million provided in FY 2014 for consolidation activities, GSA is executing 17 projects that will save federal agencies \$16 million in rent payments annually, reduce the federal footprint by 492,000 square feet, and reduce the government's leasing costs by \$38 million.

Additionally, GSA stated it has taken opportunities to reduce space when high-value leases expire, providing long-term savings to taxpayers. In the Agency's FY 2014 prospectus-level lease program, GSA and partner federal agencies have reduced overall space needs by approximately 13 percent, from a current requirement of 4.3 million square feet to a proposed 3.7 million square feet.

**ISSUE: GSA faces significant challenges from the risks related to large-scale exchanges of real property.**

With tight construction budgets in recent years, GSA has been exploring the use of property exchanges to meet its need for new building construction and to make major renovations to its existing real property inventory. Although property exchanges allow GSA to use the exchange proceeds to implement capital projects without affecting the budget, exchanges for major projects are high risk.

GSA's authority to exchange property is based on the Federal Property and Administrative Services Act and Section 412 of the Consolidated Appropriations Act, 2005. GSA is seeking to increase its use of these authorities on multiple properties that are being considered for disposal. These properties include the Auburn Federal Complex in Washington State, undeveloped land in Denver, and the State Street Buildings in Chicago. Property exchanges provide multiple benefits to GSA. The foremost benefit is the ability to apply the value of a federal property to finance construction needs, rather than waiting for the funds to be made available through the appropriations process.

GSA has only conducted small-scale property exchanges in the past, including two exchanges for newly constructed parking garages under the Federal Property and Administrative Services Act authorities. Even though these exchanges were small, they both took several years to complete despite the advance selection of the private sector developer.

GSA is now pursuing several large-scale property exchanges, including those for the Federal Bureau of Investigation's Headquarters Consolidation and the Federal Triangle South project. We view these exchanges as high-risk projects because both qualify as major construction projects and are subject to the risks associated with being completed on time, on budget, and within scope. The complexities of exchange transactions create major challenges for the Agency. The risk on these projects is also significantly increased because GSA has not performed such exchanges in the past. As a result, the Agency is facing multiple risks on these exchanges including:

- Exchanges may not be the most cost-effective option for the government due to their complexities, extended timeframes, and associated risks. The federal government could potentially obtain a better deal for a new asset or construction services and potentially larger proceeds for the disposed federal property if it were to use traditional acquisition and disposal methods.



- GSA lacks transparency on using funding to supplement exchange transactions. Since exchanges are not authorized through the budget process, there is no line item funding for the projects. However, GSA policy allows funds to be used to supplement exchanges but does not identify the source or the need for reporting when the estimated supplemental funds will exceed the prospectus level. Given this, GSA may inconsistently or inappropriately use funds when awarding construction modifications or support contracts.
- If GSA encounters a funding gap where the value of the property being exchanged is less than the cost of the construction, the Agency may not have the resources to meet its obligations, which could violate the Antideficiency Act.

#### **AGENCY ACTIONS:**

GSA is continuing to pursue large-scale property exchanges. GSA management has acknowledged the challenges related to the exchanges and is monitoring the projects.

#### **ISSUE: Challenges persist to safeguard federal infrastructure and provide a secure work environment for federal employees and contractors.**

GSA plays a significant role in providing a safe, healthy, and secure environment for employees and visitors at over 8,000 owned and leased federal facilities nationwide. Presidential Policy Directive 21 on *Critical Infrastructure Security and Resilience* reaffirmed this role. Particularly, it designated GSA and the Department of Homeland Security as the federal agencies responsible for the security of federal facilities. GAO has provided broad audit coverage in this area.

Recent incidents of workplace violence, unauthorized access, and terrorism demonstrate the risks to federal facilities. Therefore, GSA's mission of housing federal agencies requires close coordination with security personnel. The Department of Homeland Security's Federal Protective Service (FPS) is the primary agency responsible for providing law enforcement, physical security, and emergency response services to GSA tenant agencies, buildings, and facilities. However, GSA is responsible for continuity of operations, suitability activities, and coordination with FPS to ensure building occupant security.

A recent GAO report<sup>6</sup> highlighted numerous concerns: (1) building characteristics and locations limiting security options, (2) the difficulty inherent in balancing security with

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<sup>6</sup> *Actions Needed to Better Manage Security Screening at Federal Buildings and Courthouses* (GAO-15-445, March 31, 2015).

public access, (3) FPS protective security officers not being fully trained to conduct security screening, and (4) the challenges of handling the differing security needs of multiple tenant agencies within GSA-owned buildings. Past GAO reports identified shortcomings in FPS operations and human capital, leading to concerns about the protection of federal buildings, their tenants, and information. Specifically, a recurring challenge for GSA is FPS's persistent lack of a risk management framework to combine threats and vulnerabilities with resource requirements.

Our audit reports have also repeatedly noted the need for improvements in GSA's security clearance process. A recent audit of PBS procurements note there is limited evidence of coordination among the GSA Chief Security Office and PBS officials to ensure only suitable individuals can access federal buildings. We have repeatedly recommended corrective action to ensure all contractor employees accessing GSA facilities have the proper security clearances prior to site access and that background check information is shared with and retained by contract and project management staff.<sup>7</sup>

#### **AGENCY ACTIONS:**

GSA maintains that it is working to improve its operations related to building security. GSA has been examining the role it plays on facility security committees as well as reviewing the services being provided by FPS. The Agency is also in the early stages of developing a video content analysis initiative to enhance external building security through object detection and recognition and monitoring of street activity.

#### **FINANCIAL OPERATIONS**

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**ISSUE: *GSA's transition of its Financial Management Line of Business is a complex undertaking.***

GSA's transition of its Financial Management Line of Business (FMLoB) to the U.S. Department of Agriculture (USDA) has been a major undertaking. It involves the transfer of approximately 300 employees, along with the accounting functions performed by GSA's Greater Southwest and Heartland Finance Centers, and numerous

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<sup>7</sup> OIG reports *Recovery Act Report-Contract Administration for Group 10 Review of PBS's Limited Scope and Small Construction Projects Funded by the American Recovery and Reinvestment Act of 2009* (Report Number A090184/P/R/R12008, June 13, 2012); *Implementation Review of Corrective Action Plan Contract Administration for Group 10 Recovery Act Limited Scope and Small Construction Projects Report Number A090184/P/R/R12008* (Assignment Number A130130, March 28, 2014); and *PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts* (Report Number A130112/P/R/R15004, March 27, 2015).

financial systems, including GSA's core accounting system, Pegasys. Due to the scope and complexity of this transition, GSA faces significant risks to its day-to-day financial operations. These risks include, but are not limited to, an unexpected cost increase or a decline in the level of service provided by USDA. GSA must also consider the impact of the transition on its remaining financial management workforce and ensure plans are in place to maintain effective continuity of operations and support GSA's mission.

On September 15, 2014, GSA first announced plans to use an approved Federal Shared Service Provider, USDA, in an effort to achieve cost savings and improve performance. Shortly thereafter, our office initiated a monitoring effort to track the progress of the FMLoB transition. On February 27, 2015, we issued a memorandum to the Acting Administrator and Chief Financial Officer which highlighted challenges facing GSA during this transition.<sup>8</sup> The memorandum identified the need for: (1) effective planning throughout the transition; (2) documentation of key decisions; and (3) timely finalization of the Memorandum of Understanding and supporting agreements, including agreements regarding the performance of GSA's annual financial statements audit.

On March 22, 2015, GSA transferred 293 of its employees and their financial functions to USDA. In response to concerns raised by GSA's independent public accounting firm, the agencies agreed that GSA would retain ownership of the transferred financial systems through the end of the audit cycle. The systems transfer will now be completed in two phases; Phase 1 will be completed by October 1, 2015, and Phase 2 will be completed on or before September 30, 2016.

GSA will continue to face significant challenges as the FMLoB transition continues. GSA anticipates that the transition will result in improvements to technical and operational performance of financial management services and a reduction in costs. Accordingly, GSA plans to closely monitor the cost savings and performance improvements resulting from the transition. To that end, GSA will be dependent upon USDA to provide transparent, accurate, and reliable data to serve as the basis for analysis and decision making.

Additionally, as part of its shared services offering, USDA pledged a good faith effort to market GSA's existing financial management software to other customer agencies in order to operate it on a more cost-effective basis. However, per the Memorandum of Understanding between GSA and USDA, if USDA is unable to successfully obtain new customers for this software, GSA has agreed to pay for the implementation costs to transition to another financial management system. Such a transition would come at

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<sup>8</sup> OIG memorandum *Challenges Facing GSA's Financial Management Line of Business Transition to the U.S. Department of Agriculture* (Audit Memorandum Number A150049-2, February 27, 2015).



significant cost to GSA. Further, the transition would have a substantial impact on the Agency's day-to-day business processes and financial operations, as well as its ability to access historical financial data.

#### **AGENCY ACTIONS:**

On May 6, 2015, GSA finalized its *Concept of Operations for Management of GSA's FMLoB Service Provider* guidance.<sup>9</sup> GSA continues to hold monthly governance board meetings with USDA. Both agencies are working together to develop GSA's FY 2016 budget and the FMLoB cost saving baseline metrics, which will be included in the new FY 2016 service level agreement between GSA and USDA.<sup>10</sup>

#### **ISSUE: GSA continues to face challenges with the effectiveness of its internal control over financial reporting.**

Financial reporting internal control deficiencies have been an ongoing, systemic problem for GSA dating back to FY 2009. Over the past 6 years, GSA's internal control deficiencies have escalated from the independent public accountant (IPA) reporting only significant deficiencies in FY 2009 to reporting both a material weakness and significant deficiencies in FY 2014.

Since FY 2009, the IPA has identified control deficiencies over GSA's financial reporting that highlight the need for improved financial management and reporting oversight. In its FY 2014 report, the IPA again cited deficiencies in financial management and reporting: (1) classification of capital and operating leases, and (2) estimated liabilities to capture probable future cleanup costs for environmental contamination other than asbestos. As a result, GSA recorded significant adjustments to its financial records for the year ended September 30, 2014. Collectively, the IPA considered these matters to be a material weakness in internal control.<sup>11</sup>

In addition, the IPA identified certain deficiencies in internal controls<sup>12</sup> that it considered to be significant deficiencies,<sup>13</sup> including: Entity-level Controls, Budgetary Accounts

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<sup>9</sup> This document serves as detailed guidance for the concept of operations and operating model across people, processes, and technologies pertaining to the transfer of GSA's FMLoB services to USDA's Office of the Chief Financial Officer.

<sup>10</sup> The service level agreement documents the terms and conditions governing the services that will be delivered by the USDA, as well as the responsibilities of both GSA and USDA.

<sup>11</sup> A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely basis.

<sup>12</sup> A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

and Transactions, Accounting and Reporting of Property and Equipment, Accounting and Reporting of Leases and Occupancy Agreements, and General Controls over Financial Management Systems.

#### ***Material Weakness***

GSA continues to face challenges with effective communication and implementation of policies and procedures across its various lines of business. Specifically, communication between the Office of the Chief Financial Officer (OCFO), PBS, and regional personnel needs improvement. Regional practices are not always consistent with GSA's established policies and procedures or applicable accounting standards, and in some instances, contradict the OCFO's policies and procedures. The IPA concluded that if this is not corrected, these conditions present a high risk that significant misstatements in the classification of leases and potential violations of laws and regulations will not be prevented, or detected and corrected, by GSA management; nor will it allow GSA to prevent, detect, and correct misstatements of the environmental liability balance on a timely basis, exposing GSA to an increased risk of misstatements in its financial reports.

#### ***Significant Deficiencies***

As discussed in the IPA's reports for the past 3 years, GSA needs to continue to address weaknesses in its entity-wide<sup>14</sup> control environment. In the FY 2014 report, the IPA identified five entity-wide control environment conditions that have pervasive influence on the effectiveness of controls. Four of the five conditions were reported in the prior year.

Over the past 3 years, the IPA reported that GSA needs to continue improving the effectiveness of controls over its accounting and business processes to ensure that budgetary transactions are properly recorded, processed, and summarized. Additionally, GSA continues to face challenges to ensure that general property and equipment transactions and leases and occupancy agreements are promptly recorded, and properly classified and accounted for.

In the area of general controls over financial management systems, the IPA reported that GSA did not have adequate IT controls to protect its financial management systems. Specifically, the IPA identified control deficiencies over access and

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<sup>13</sup> A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

<sup>14</sup> Entity-level controls are controls that have a pervasive effect on an entity's internal control system and may pertain to multiple components. Entity-level controls may include controls related to the entity's risk assessment process, control environment, service organizations, management override, and monitoring.



configuration management general controls. Access controls are security features that regulate who can access systems, resources, and information. Configuration management refers to a discipline for tracking and controlling changes in software systems.

Although the IPA's overall audit opinion deemed that GSA's financial statements present fairly, in all material respects, the financial position of GSA, the OCFO continues to struggle to resolve the internal control deficiencies. While these deficiencies did not affect the overall audit opinion, they could signal underlying financial management issues. GSA should analyze each deficiency to ensure that subsequent strategies and plans address the cause of the problem and not just the symptoms.

#### **AGENCY ACTIONS:**

GSA's senior management has reported that it is focused on correcting the internal control deficiencies identified by the IPA. In the *FY 2016 Congressional Justification*, GSA reported that in FY 2014, it implemented a number of actions to improve its internal controls over financial management and reporting, accounting, and business processes. The Agency stated that it also reinvigorated the Management Controls Oversight Council to improve efforts in managing and monitoring the entity-level control environment.

#### **ISSUE: *GSA faces challenges retaining consistent leadership in the Office of the Chief Financial Officer.***

GSA continues to experience significant turnover in key senior leadership positions in the OCFO. Over the past 6 years, GSA has had five Chief Financial Officers and acting directors over some of its financial services and divisions. Since management is responsible for the internal control environment, high turnover rates in critical leadership positions can negatively affect an operation and its employees.

Without consistent leadership, it is easy to veer from the true mission and vision of the organization and from the ability to function effectively and sustain focus on key initiatives. Leaders provide direction and ensure appropriate oversight and monitoring which is an essential element of an effective internal control system.

#### AGENCY ACTIONS:

In December 2014, GSA named a new Chief Financial Officer and subsequently restructured the OCFO's six divisions by consolidating regional support offices for the two major lines of business (PBS and FAS) to a centralized structure. The new structure consists of five divisions: the Office of Budget, the Office of Strategic Planning and Performance Management, the Office of Business and Financial Analytics, the Office of Financial Management, and the Office of Regional Financial Services. Subsequent to this restructuring, a key member of the OCFO senior leadership team resigned. GSA needs to assess the cause of its inability to retain consistent leadership and develop and implement a strategic plan to address this problem.

#### INFORMATION TECHNOLOGY

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**ISSUE: *Improvements are needed to protect sensitive information in GSA's cloud computing environment.***

Protecting sensitive information is critical to an agency's mission, operations, and reputation. Without the proper controls to ensure that sensitive information is not available to individuals who do not have a valid need to know the information, sensitive information belonging to employees, contractors, and customers is at risk.

GSA was the first federal government agency to adopt a cloud computing environment to host its Agency-wide email system and collaboration services. However, GSA did not implement controls to ensure that all sensitive data was secure. Several of our previous audits reported on weaknesses in GSA's efforts to protect sensitive information prior to the transition to a cloud computing environment. Despite prior recommendations to improve controls and prevent the disclosure of sensitive information in GSA's legacy environment, we identified similar issues that arose with the implementation of the Agency's cloud computing environment. GSA must continue to take action to ensure all instances of sensitive information are identified and properly secured within its cloud computing environment.

#### AGENCY ACTIONS:

GSA has taken action to identify and remediate the instances of unprotected sensitive information that we identified within its cloud computing environment. It has also been updating its IT security and privacy policies to reflect the ongoing changes in its cloud computing environment. GSA now also requires its employees and contractors to

complete training on information security in a collaborative environment, in addition to the annual IT security awareness training.

**ISSUE: *Improved planning and development is needed to properly offer GSA's IT shared services to other agencies.***

GSA management faces challenges as it pushes for a wider use of shared services in the IT arena. In May 2012, the Executive Office of the President issued its *Federal Information Technology Shared Services Strategy*<sup>15</sup> to improve IT return on investment, productivity, and communications with stakeholders. To further assist agencies towards identifying and operating IT shared services, the U.S. Chief Information Officer Council issued guidance on defining, establishing, and implementing interagency shared services.<sup>16</sup> With fiscal constraints, increasing mission requirements, rising customer expectations, and the evolution of technology, agencies are expected to identify ways to eliminate wasteful spending and take advantage of the latest technologies.

In an effort to deliver solutions faster for less money and with fewer resources, GSA has pursued an IT shared services approach to offer agencies cloud email services and collaboration tools. This shared services approach is intended to further position GSA as the agency that other agencies turn to for support of their cloud email services and collaboration tools. Additionally, this approach is an opportunity for GSA to learn more about its limits and capabilities for implementing emerging cloud solutions within its own cloud computing environment. However, GSA has experienced challenges in properly defining this approach and executing agreements with other agencies for the cloud services and tools. Specifically, these challenges involve the selection of the appropriate shared services operating model, agreement type, and funding mechanism. Enhanced management and oversight is needed to ensure that GSA's IT shared services offerings and delivery are properly planned, developed, and aligned with federal goals, initiatives, and standards.

#### **AGENCY ACTIONS:**

In February 2015, GSA management began working closely with OMB and the Office of Federal Financial Management in an effort to define shared services more distinctly and to determine how these services will be managed across the Federal government in the future. Specifically, GSA is engaging with other government agencies and non-profit

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<sup>15</sup> The *Federal Information Technology Shared Services Strategy* is part of OMB's *25-Point Implementation Plan to Reform Federal Information Technology Management*, dated December 9, 2010.

<sup>16</sup> *Federal Shared Services Implementation Guide*, dated April 16, 2013.

organizations to study shared services and leverage expertise to identify an optimal model for shared services throughout the federal government.

**ISSUE: *An increase in GSA IT executive turnover could negatively impact strategic planning and management of the Agency's IT infrastructure.***

GSA IT has recently experienced high executive turnover, creating a challenge for the organization to sustain its strategic plan. Since 2014, GSA IT has been led by three Chief Information Officers (CIOs). In September 2011, GAO reported that significant change initiatives could take 5 to 7 years for a CIO to implement. GAO also noted that, between 1996 and 2011, the median tenure of CIOs across several federal government agencies was approximately 2 years.

In February 2013, the Office of the CIO began consolidating the Agency's IT services from a decentralized structure to a centralized business model with an enterprise-wide focus that delivers shared services. As part of this effort, employees were reassigned to areas within the organization to better meet the IT services and support needs of the Agency. Although the consolidation was completed in August 2014, executive leadership is still needed to ensure the consolidation achieves the improved service and cost savings that are anticipated. However, with high executive turnover, the organization's ability to properly develop, implement, and manage the Agency's IT initiatives, including the consolidation, may be impaired.

#### **AGENCY ACTIONS:**

According to GSA, it has taken steps to reduce the impact of high turnover within the Office of GSA IT, including succession planning and aligning the organization to continue to succeed despite executive turnover. More specifically, these steps include further realigning its IT functions to meet the needs and demands of the Agency and its customers, as well as promoting employees internally in an effort to maintain a full IT staff.

### **GSA's GREENING INITIATIVE – SUSTAINABLE ENVIRONMENTAL STEWARDSHIP**

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**ISSUE: *GSA faces challenges achieving sustainability and environmental goals.***

GSA plays a major role in federal construction, building operations, procurement, and governmentwide policy. GSA was assigned additional responsibilities to lead change towards sustainability in these areas with the enactment of the Energy Independence and Security Act of 2007, the American Recovery and Reinvestment Act of 2009, and



the recent Executive Order 13693 – Planning for Federal Sustainability in the Next Decade. Under these initiatives, GSA is required to increase energy efficiency, reduce greenhouse gas emissions, conserve water, reduce waste, determine optimal fleet inventory, and leverage federal purchasing power to promote environmentally responsible products.

While GSA maintains a strong record in these areas of environmental stewardship, we have identified two challenges related to sustainability initiatives: (1) collecting quality data, and (2) diminishing sustainability returns on projects within the GSA portfolio.

#### ***Collecting Data to Support Goals and Evaluate Results***

Executive Order 13693 outlines a number of new sustainability goals including: collecting fleet operational data at the vehicle asset level for optimal efficiency management, ensuring a portion of GSA buildings over a square footage threshold meet net-zero standards,<sup>17</sup> and procuring targets for bio-based<sup>18</sup> and energy efficient products. In order for GSA's programs to meet sustainability targets, relevant and quality data needs to be accessible across business lines. GSA has acknowledged concerns about the quality of data in several systems including the Federal Fleet Management System, the Federal Real Property Profile, and the Federal Procurement Data System – Next Generation. Additionally, a recent audit found inaccuracies and outdated information in a key GSA sustainability system.<sup>19</sup> While data validation remains important, equally vital is making sure that information collected is usable. It is necessary to understand how data could be valuable and shared across GSA in order to make decisions based on facts.

#### ***Diminishing Returns on Portfolio Investments***

GSA is experiencing diminishing returns on investments as it continues to improve energy efficiency throughout its building portfolio. Most of the projects with the greatest value are complete, such as replacing or improving cooling systems. In the future, energy efficiency investments are likely to be higher cost and have longer payback periods. GSA must verify that projects with longer payback periods are cost effective while striving to meet future reduction targets.

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<sup>17</sup> A building is energy net-zero when the energy needs are balanced with the energy produced from renewable, zero-emissions sources.

<sup>18</sup> Bio-based is defined by Title 7 U.S. Code 8101(4) (A) as a commercial product (other than food or feed) that is composed of biological or renewable domestic agricultural materials (including plant, animal, and marine materials) or forestry materials.

<sup>19</sup> OIG report *Incomplete, Outdated, and Unverified Recovery Act Sustainability Data May Affect PBS Reporting and Decision-Making* (Report Number A130128/P/R/R15005, March 31, 2015). The report findings related to GSA's gBUILD system.



### Agency Actions:

In its *FY 2016 Congressional Justification*, GSA described its goal of reducing the federal government's environmental footprint. It details its adoption of environmentally friendly practices in its operations, including increasing employee telework and hoteling; purchasing green IT; promoting cost savings through sustainable use of space, travel, fleet, and resources; and greening the federal supply chain. Specifically, GSA has identified the following steps that it has taken over the last year to improve on its greening initiatives:

- Selecting nine technologies for evaluation from the 2014 Green Proving Ground request for information and reporting its findings for six previously implemented technologies;
- Awarding three power purchase agreements, including the largest wind energy purchase from a single-source in federal contracting history;
- Assisting GSA and its customers to achieve mandated green procurement and sustainability targets through the Green Procurement Compilation system, which identifies green purchasing requirements while determining available procurement options; and
- Participating in the Carbon Disclosure Project's climate change program as a supply chain member and asking its 120 largest suppliers to disclose their annual greenhouse gas emissions in an effort to strengthen American climate change readiness.

### **IMPLEMENTING GSA'S MOBILE WORKFORCE STRATEGY**

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**ISSUE: *GSA's implementation of its mobile workforce strategy faces multiple challenges.***

As the federal government's landlord, GSA is playing a leadership role in OMB's "Reduce the Footprint" initiative and is working to serve as a model for the rest of the federal government by reducing its footprint and implementing a mobile workforce strategy. In reducing its footprint, GSA has established an aggressive internal goal of 136 usable square feet per person, which is even lower than OMB's stated goal of 150 usable square feet per person.

To accomplish the goal, GSA is implementing a mobile workforce strategy that includes a combination of hoteling, telework, and virtual employees. The mobile workforce strategy is expected to result in multiple benefits, such as reduced real property costs, reduced carbon footprint, and improved work-life balance for employees.

However, the costs of implementing this strategy should not be overlooked. While the costs of implementation should be low when performed in conjunction with a planned relocation or renovation, the strategy can still result in additional costs. For example, the decision to implement the strategy in the Mid-Atlantic Region came late in the relocation process, leading to additional costs for redesigning space, extending the lease for the current location, and delaying the occupation of the new space.

As GSA expands its mobile workforce strategy beyond renovations and relocations, it needs to minimize implementation costs and address other costs associated with managing GSA space, such as backfilling vacant space. Prior to implementing a mobile space project, GSA should perform a cost-benefit analysis to assess and determine the cost effectiveness of the project.

Further, many challenges lie ahead, not the least of which is the shift away from the traditional work space. In implementing its mobile workforce strategy, GSA is shifting away from the traditional work space in favor of telework and other mobile strategies, such as the use of virtual employees. However, our recent audit of GSA's telework program revealed that GSA was not following its policies and procedures for telework and virtual employees. GSA did not know the number of virtual employees it had and some virtual employee arrangements had not been fully approved. The travel costs for some virtual employees significantly exceeded cost estimates and some virtual employees were being paid the wrong amount because their official duty stations were incorrect. Finally, many teleworkers had not taken the training that GSA requires as a prerequisite to teleworking.

GSA's mobile workforce strategy must contend with other challenges as well. Increasing telework can stifle collaboration as physical interaction with colleagues is limited and can impair the effectiveness of managers who must supervise employees in a virtual environment. In addition, employees' ability to telework efficiently and effectively may be affected by the lack of digital documentation of many of GSA's contract and lease files and the need to ensure the security of documentation that is taken offsite by teleworking employees.

Finally, IT support and capabilities are critical to the success of GSA's mobile workforce strategy. GSA's strategy incorporates multiple devices such as laptops, smartphones, and other mobile devices. To enable multiple device types, GSA must ensure that its systems are capable of interacting with and supporting all anticipated platforms. In addition, with the dependence on IT systems for working offsite, the Agency will need to emphasize system continuity and security more than ever before.

**AGENCY ACTIONS:**

Even before it began reducing its real property footprint, GSA had been implementing its mobile workforce strategy by emphasizing telework and mobile space. The Agency is continuing to digitize records and has explored other means to replace its hardcopy documents and files. It is also implementing a wide range of collaborative and mobile tools and is trying to provide the support and security necessary for these tools.



**GSA Administrator**

MEMORANDUM FOR CAROL F. OCHO  
INSPECTOR GENERAL (J)

FROM:

DENISE ROTH  
ADMINISTRATOR (A)

A handwritten signature in black ink, appearing to read "D. Roth", written over the printed name "DENISE ROTH".

SUBJECT: GSA's Management Challenges, Fiscal Year 2016

Thank you for providing me the opportunity to review your assessment of the major challenges currently facing the U.S. General Services Administration (GSA) and our progress in addressing them.

GSA acknowledges these challenges and is implementing a broad range of measures to address them, including reinforcing our internal control framework, gaining efficiencies through shared service providers and also, implementing strategies to transition federal partners to new telecommunication solutions.

Please find attached our comments that provide information and clarification pertaining to the actions above.

We look forward to continuing to work with the Office of the Inspector General (OIG) to minimize if not, eliminate waste, fraud, abuse and promote greater Government effectiveness and efficiency.

Attachment

U.S. General Services Administration  
1800 F Street, NW  
Washington, DC 20405-0002  
Telephone (202) 501-0800  
Fax (202) 219-1243  
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# GSA Responses to the Office of Inspector General's **Management Challenges for FY 2015** (*Unaudited*)

## **Summary**

GSA is committed to providing the highest level of service to both the American public and our partners throughout the federal government. As part of that commitment, the agency continuously looks to improve our services and strengthen our internal management systems.

We welcome and appreciate the comments from the Office of the Inspector General (OIG) and understand this feedback assists GSA with the effective management of the agency. As identified in the report, GSA has already taken many actions to address the challenges identified in the OIG Assessment of GSA's Major Management Challenges.

## **Acquisition Programs**

**ISSUE:** GSA continues to face challenges within the GSA Schedules Program.

### **RESPONSE:**

#### **Pricing**

GSA is committed to ensuring that the MAS program delivers the best possible value in Government acquisition. As noted by the report, several Agencies have expressed concern with price variability within the MAS program. GSA recognizes that the current vertical price analysis model for commodities has led to pockets of suboptimal price variability across suppliers and in response, and has already implemented horizontal price pressure through part number standardization and data-driven analysis of both catalog and transaction pricing to ensure highly competitive pricing is obtained across all MAS contractors. Additional future efforts include launching a fully integrated horizontal price comparison tool to assist Contracting Officers in the determination of fair and reasonable pricing which will lead to less variability and lower MAS pricing.

## **Proposed General Services Acquisition Regulation (GSAR) Rule on Transactional Data Reporting**

GSA issued a proposed GSAR rule in the Federal Register on March 4, 2015 to require transactional data reporting for the MAS and other GSA government-wide acquisition vehicles. The proposed rule outlines numerous benefits in obtaining transactional data in terms of implementing smarter buying strategies in support of category management, strengthening pricing, achieving administrative savings, reducing barriers to small business participation, standardization of contract terms, and increasing transparency into purchasing on GSA acquisition vehicle programs. In addition, on April 17, 2015, GSA held a public meeting to allow any interested party to present their viewpoints on the proposed rule and for affected parties to ask questions of GSA and the presenters. Consistent with the rulemaking process, GSA is evaluating all comments received from interested parties and assessing the next steps to take in the rule-making process.

## **Contractor Compliance**

GSA has implemented a new contractor assessment model. Industrial Operations Analysts currently conducts contract assessments every year for all contractors who have sales of at least \$150k in the previous four reporting quarters to review sales tracking systems and compliance with contract terms and conditions. The new model is driven by prior findings, dollar value of sales, programmatic issues, and repeat issues identified by the Procurement Contracting Officer (PCO). Particular attention will be paid to sales tracking and reporting, pricing overcharges to customers, and proper application of the prompt payment discount. All contracts, independent of risk, will receive a contract assessment by the end of each option period. PCO requested visits are always honored.

## **Contract Workload Management**

GSA agrees with the OIG's assessment of the challenge of administering a large number of Schedule contracts. GSA believes that we can alleviate contract workload by looking



at ways to streamline the acquisition process and automate additional business processes.

### ***Hiring, Development, and Retention of the Contracting Officer Workforce***

The Management Challenges correctly identifies some of the issues the Senior Procurement Executive has raised, regarding the state of the overall GSA acquisition workforce. The Office of Acquisition Policy has initiated an Acquisition Professional Development Program to include the following elements:

- Promote targeted recruitment at colleges and universities with acquisition programs
- Establish a new employee Acquisition Orientation to provide new acquisition employees with a consistent overview of the acquisition environment at GSA
- Launch a three-year cohort program for entry level GS-1102s to include rotational development opportunities
- Update staffing plans to reflect business needs to address workload balancing
- Establish rotations for mid and senior level GS-1102 for professional development
- Hold seminars for GSA staff to support their continued professional development.

### ***Proposed Changes to the GSAR Transactional Data Rule***

*Please see previous response.*

### ***Order Level Materials***

The FAR Council opened FAR Case 2015-023 to clarify the authority to acquire order level materials when placing a task order or establishing a blanket purchase agreement against a Federal Supply Schedule contract. The team draft report, which will contribute to a draft rule, is expected in November 2015.

### ***GSAR Rewrite***

On December 28, 2012 GSA published a notice in the Federal Register withdrawing the rewrite of GSAR part 538. GSA has initiated a series of GSAR cases to update part 538 to support the modernization of the MAS program.

**ISSUE:** GSA faces challenges as it moves toward transactional data reporting.

**RESPONSE:** As cited above, GSA issued a proposed GSAR rule in the Federal Register on March 4, 2015 to require transactional data reporting for the MAS and other GSA government-wide acquisition vehicles. The proposed rule outlines numerous benefits in obtaining transactional data in terms of implementing smarter buying strategies in support of category management, strengthening pricing, achieving administrative savings, reducing barriers to small business participation, standardization of contract terms, and increasing transparency into purchasing on GSA acquisition vehicle programs. In addition, on April 17, 2015,

GSA held a public meeting to allow any interested party to present their viewpoints on the proposed rule and for affected parties to ask questions of GSA and the presenters.

**ISSUE:** FAS is challenged to develop its acquisition personnel to award, administer, and manage the One Acquisition Solution for Integrated Services (OASIS)

**RESPONSE:** As part of FAS's commitment to category management, responsibility for the OASIS contracts and program have been transferred to Region 10 in support of FAS's work to establish its Professional Services Category. This allows for resources matrixed across multiple professional services contracts to be leveraged, ensuring adequate and effective resource utilization. The OASIS Program is fully staffed in accordance with an approved plan. Currently, dedicated OASIS contracting personnel have awarded over 400 contracts, successfully resolved multiple protests, and have trained approximately 2,000 federal acquisition professionals on the appropriate use of the contracts.

The value to customers provided by the OASIS program is exemplified by a Memorandum of Understanding signed between GSA and the US Air Force, Department of the Army, and Department of Homeland Security making OASIS and OASIS Small Business preferred vehicles for requirements within scope of those contracts. These agencies have recognized the value of the OASIS contract and chose to build upon its foundation rather than duplicate it through their own contract vehicles.

**ISSUE:** GSA continues to face challenges to meet the government's evolving needs for telecommunications and integrated technology infrastructure solutions.

**RESPONSE:** GSA agrees with the management challenges presented by the OIG regarding timely transition to the Enterprise Infrastructure Solutions (EIS) contract. The agency is implementing a transition strategy that capitalizes on lessons learned from the previous transition, as outlined in the December 2013 GAO audit report. As part of that strategy, FAS leadership initiated executive-level customer outreach by meeting with Agency Chief Information Officers. FAS will continue to coordinate planning and implementation activities and discuss transition initiatives in FY 2016 with a newly developed interagency Infrastructure Advisory Group, the OMB, and the U.S. Congress.

With the October 16, 2015, issuance of the EIS Request for Proposals (RFP), GSA expects agency customers to develop transition plans within one year in order to meet the transition timeline. Customers must also name a senior transition sponsor, transition manager, lead Contracting Officer, and validate inventory data. GSA is negotiating contract extensions for Networx, WITS3, and regional Local Support Contracts to ensure expiration dates coincide with the transition timeline. To aid with transition activities, FAS is providing assistance for agencies to

validate their telecommunications service inventories. FAS will offer contractor support to customer agencies to ensure they have the resources to prepare for and implement a successful transition to EIS. While GSA will support customers as they transition, agencies are ultimately responsible for moving their services to the new solution.

While GSA has begun transition planning, agencies cannot initiate actual transition orders until EIS is awarded. Therefore, there are risks associated with any delays in awarding EIS which narrows the window for transitions. GSA has to balance the need for a timely award with achieving the appropriate terms, conditions, and price points that meet government requirements. In order to define a standard service that industry can deliver in an effective way, GSA conducted extensive outreach and coordination with industry prior to release of the RFP, including releasing a full draft RFP in February 2015, conducting three industry days, posting frequent material to a collaborative website, and holding over 60 additional one-on-one meetings with industry.

### **GSA'S Real Property Operations**

**ISSUE:** GSA needs to develop a portfolio strategy to meet OMB's "Reduce the Footprint" initiative

**RESPONSE:** GSA committed to reviewing its portfolio strategies in response to the U.S Government Accountability Office (GAO) report entitled, GSA Needs to Determine Its Progress toward Long-Term Sustainability of its Portfolio (GAO-15-609). GSA's portfolio strategy is predicated upon the financial performance of assets as started under portfolio restructuring. GSA will re-examine current portfolio metrics for the end of FY 2016 reporting by consulting with industry leaders to glean applicable best practices to further strengthen its asset management approach. This approach will address portfolio sustainability as well as agency mission need, which is a key component of the Reduce the Footprint initiative.

GSA has completed review of the Real Property Efficiency Plan and space design standard for office space for the 24 CFO Act agencies, focusing on alignment with known GSA asset, lease and customer engagement strategies and provided feedback to the agencies to suggest areas where the agency may have consolidation, co-location or disposal opportunities in addition to what the agencies had outlined in their plans. Furthermore, GSA has already taken action to directly assist agencies in reducing their footprint through funding assistance of consolidation projects and better use of existing assets. For instance, using \$70 million provided in FY 2014 for consolidation activities, GSA is executing 17 projects that will save Federal agencies \$16 million in rent payments annually, reduce the Federal footprint by 492,000 square feet, and reduce the Government's leasing costs by \$38 million.

Additionally, GSA has taken opportunities to reduce space when high-value leases expire, providing long-term savings to taxpayers. In the Agency's FY 2014 prospectus-level lease program, GSA and partner Federal agencies have reduced overall space needs by approximately 13 percent, from a current requirement of 4.3 million square feet to a proposed 3.7 million square feet. As outlined in GSA's own Real Property Efficiency Plan, GSA set targets to reduce its own occupied space by more than 500,000 USF (or 10 percent) between FY 2016 and FY 2020. GSA exceeded its Freeze the Footprint (FTF) goal and reduced its footprint by 23 percent of the FTF 2012 baseline (based on preliminary FY15 Federal Real Property Profile data). GSA plans to continue reducing its footprint by utilizing the same successful workplace strategies including right-sizing, desk-sharing, a continued emphasis on enabling and supporting mobile work, and a shift from traditional office space to more flexible, open-plan environments. GSA also will strive to limit all new GSA occupied projects to 136 USF/person, per its new agency space design policy.

GSA will continue to serve customer mission needs while exploring co-location and consolidation opportunities. GSA will produce metrics that better help identify these opportunities and assist in portfolio re-investment strategies that serve the long term viability of the Federal Buildings Fund.

**ISSUE:** GSA faces significant challenges from the risks related to large-scale exchanges of real property

**RESPONSE:** GSA acknowledges the risks and challenges associated with pursuing large-scale exchange projects. GSA has developed and began implementing mitigation strategies to avoid and lower the impact of these risks.

To counter the risks associated with exchanges, GSA created a Program Management Office (PMO) comprising nationwide experts in their respective fields of acquisition, real estate asset management, design and construction, and property disposal. These experts were chosen due to their experience in successfully completing complicated real estate projects. The PMO will guide project teams through cost-benefit analyses and project development.

According to PBS Policy 4065.1 Procedural Guidance for Section 412 Exchanges for In-Kind Consideration, potential exchange projects must successfully pass strict scrutiny which includes both net present value and highest and best use analyses. During project development, GSA requires a professional, third-party Fair Market Value (FMV) appraisal to be conducted. GSA crafts the requirements of the in-kind consideration to be as close in value as possible to the FMV appraisal.

Prior to the execution of an exchange agreement, negotiations between GSA and the exchange partner take place that encompass both the value of the exchange parcel as well as the

estimated total construction cost of the in-kind consideration. GSA will not enter into any contractual agreement that would expose the agency to an Antideficiency Act violation. In addition, GSA will ensure that all funds expended on such projects are obligated in full compliance with the agency's policies and Federal law.

GSA recognizes and understands the inherent risks in executing exchange projects.

GSA has taken steps to reduce the impact of these risks and will only pursue exchange projects that meet the needs of stakeholders and are the best value to the taxpayer.

**ISSUE:** Challenges persist to safeguard federal infrastructure and provide a secure work environment for the federal employees and contractors.

**RESPONSE:** GSA is committed to reviewing the performance challenges in regards to safeguarding Federal infrastructure. The comprehensive remarks below outline future strategies being implemented by GSA to address the Office of Inspector General concerns related to building security.

In response to the recent GAO report highlighting building security concerns, GSA maintains that it is working to improve its operations related to building security for Federal employees, contractors, and visitors. GSA is in the early stages of developing a video content analysis initiative, in partnership with DHS Science and Technology, to enhance external building security through object detection and recognition and monitoring of street activity. Additionally, GSA is taking action to identify possible security weaknesses with concession vendors and outleaves. GSA has repeatedly recommended corrective action to ensure all contractor employees accessing GSA facilities have the proper security clearances prior to site access and that background check information is shared with and retained by contract and project management staff. GSA has conducted initiatives to ensure that the Chief Security Office and PBS are coordinated around the security clearance process. The Office of Mission Assurance has conducted training for contractors and other outreaches across the regions. In addition, the Office of Mission Assurance continues to conduct monthly calls with PBS stakeholders as part of ongoing working group to discuss this process. GSA has also developed and is implementing a new policy to examine existing and review all new building occupancies to ensure that potentially problematic functions like laboratories or explosives storage are managed to ensure that any co-location is safe for all tenants. This work is underway and will continue.

## Financial Operations

**ISSUE:** GSA's transition of its Financial Management Line of Business is a complex undertaking.

## RESPONSE:

GSA transferred our FMLOB to the USDA at the direction of OMB Memo M-13-08, Improving Financial Services Through Shared Services and the guidance to agencies to move to shared services models in the federal government. The agency expects this migration to result in long-term savings and cost avoidance, and recognizes that there are short-term challenges and complexities associated with realizing those gains. In fact, GSA is acutely aware of the challenges associated with shared service transitions, having been a longstanding provider.

The selection of USDA as the shared service provider was in part based on reducing the risk in daily financial operations. USDA was willing and able to accept our existing core financial management systems, which reduced the inherent risks associated with moving to a shared service provider. GSA and USDA are cooperatively managing the relationship with regular governance meetings and a service level agreement that includes monthly performance metrics. A senior position was created in the Office of Financial Management to monitor USDA's performance, guide the transition of services, and escalate and troubleshoot issues as they arise.

In FY 2016, GSA and USDA will continue to identify efficiencies and enhance the user controls GSA has over financial activities performed at USDA. We realize that our overall level of success will significantly increase, if USDA services additional agencies and GSA will continue to support USDA's efforts to add new agencies.

**ISSUE:** GSA continues to face challenges with the effectiveness of its internal control over financial reporting.

**RESPONSE:** In FY 2015, GSA implemented an improved internal control framework to address challenges with the effectiveness of financial reporting controls. This framework included:

- Increasing senior leadership focus on internal controls across the entire GSA enterprise,
- Analyzing financial audit findings to accurately identify the root cause of the material weakness and significant deficiencies,
- Reorganizing OCFO's regional financial services to promote greater operational efficiency and standardization, and
- Developing corrective action plans to address the root causes of each finding.

GSA has made significant progress against the referenced internal control challenges by modifying its approach to audit remediation and elevating the development and execution of CAPs to senior leadership. The MCOC maintained its strong role in FY 2015 of identifying challenges and coordinating mitigation strategies for issues related to financial controls. OCFO also

leveraged the performance appraisal process by incorporating a metric for resolution of audit findings in senior management plans.

OCFO has designed, obtained approval and began implementation of a reorganization strategy that will radically improve the consistency of key business processes and the application of financial controls in the Office of Regional Financial Services. After conducting a thorough current state assessment of our regional PBS financial services, the OCFO identified several challenges: 1) The 11 current regional structures were historically established and designed to meet individual regional needs, leading to inconsistency in business processes, and difficulties in developing uniform best practices; 2) Service offerings and service levels varied considerably among regions; and 3) Staff were matrixed across multiple service areas, especially in smaller regions, often impacting customer service and operational consistency.

To address these issues, PBS and OCFO collaborated on a design and reorganization strategy for regional financial services. To mitigate the collective action problem of managing 11 different regions, OCFO's reorganization strategy consolidates into four regional zones with all supervisory and oversight functions of PBS regional financial services. The reorganization strategy standardizes divisional structures within the four zones to drive consistency in business processes and the application of financial controls. A new division - the Financial Management Division - will be established in each Zone to promote greater oversight of internal controls, increase audit response and support, and collaborate with the Central Office - Office of Financial Management, which is currently tasked with enterprise-level management of the audit response, internal controls, and corrective action planning. Finally, the new organization will engage in a "Communities of Practice" initiative that will review key business processes and develop standard approaches to be used across all four Zones to promote greater efficiency and consistency in operations.

**ISSUE:** GSA faces challenges retaining consistent leadership in the Office of the Chief Financial Officer.

**RESPONSE:** While the GSA will never have total control over when senior leaders choose to leave, we have made it a critical priority to maintain a highly skilled set of OCFO leaders, and to reduce the structural and management challenges that may have led to previous attrition. The OCFO's approach has focused on three key elements:

- Recruit Outstanding Talent and Leadership - while the impact of leadership turnover can be negative, it also provides the OCFO with the opportunity to recruit Office Director candidates that are highly-qualified. The new directors of the Office of Budget, Office of Strategic Planning and Performance Management, Office of Regional Financial Services, and Office of Business and Financial Analytics bring decades of private and public

sector experience to their roles, and their impact on the organization has been swift and noteworthy.

- Create a new Deputy Chief Financial Officer position - OCFO is in the process of recruiting a Deputy Chief Financial Officer who will play an important role in managing organization-wide operations and will assist in filling any leadership gaps if additional senior-level attrition occurs. In addition, this position can take on certain critical initiatives that were previously absorbed by the office directors. This will increase leadership stability across the organization.
- Develop and strengthen functional leadership opportunities - Leverage the OCFO reorganization to clarify accountability among senior leaders and provide a clear mandate of functional ownership. This empowers Office Directors to be focused on excellence in their functional areas and is expected to decrease the need for them to troubleshoot and mitigate many business process issues.

## Information Technology

**ISSUE:** Improvements are needed to protect sensitive information in GSA's cloud computing environment.

**RESPONSE:** GSA IT management determined that a consolidated approach to cloud would allow GSA to move forward with its cloud efforts in an efficient and secure manner. To this end, the Hosting Division has established a Cloud Management Office to begin addressing GSA IT's implementations. Phase I establishes a Security and Management virtual private cloud and issue an initial authority to operate as the foundation. This would include firewalls, identity access management, virtual private network connections, as well as a few other basic tools. This will be completed by December 2015. As with any new initiative, the next phase will look at what subset of tools or applications are needed by others coming on board for continued growth by mid FY 2016.

**ISSUE:** Improved planning and development is needed to properly offer GSA's IT shared services to other agencies.

**RESPONSE:** GSA is working to improve the planning, management and offering of shared services to other agencies. A consolidated IT inventory has been developed to manage all current IT shared service engagements, as well as to track potential engagements with other agencies. A cross-agency team made up of members from GSA IT, FAS, 18F, OGP, OCSIT, and other stakeholders in GSA, has begun establishing policies and procedures that will promote a single intake process and help define a clear decision-making approach to entering new shared services engagements that best leverages the full range of GSA capabilities.

**ISSUE:** An increase in GSA IT executive turnover could negatively impact strategic planning and management of the Agency's IT infrastructure.



**RESPONSE:** GSA has taken aggressive steps to put permanent leadership in place, implement succession planning, and reduce turnover within the Office of GSA IT. In September 2015, we hired a permanent Chief Information Officer (CIO), promoting from within the agency to ensure continuity as well as create promotion and succession opportunities for the GSA IT workforce. We have made a selection to fill an additional key leadership position, and expect the individual to be on board within the next month. We are in the process of interviewing candidates for the Deputy CIO and Associate CIO of Enterprise Planning and Governance. Selections in these last two leadership positions will form a complete GSA IT leadership.

Concurrently, we are continuing efforts to align IT functions to meet the needs and demands of the Agency. We are actively engaged with HR on a workforce planning strategy that includes a succession, recruitment and retention plan and the identification of promotion opportunities.

### **GSA's Green Initiative - Sustainable Environmental Stewardship**

**ISSUE:** GSA faces challenges achieving sustainability and environmental goals.

**RESPONSE:**

#### ***Collecting data to support goals and evaluate results***

Data substantiating GSA's performance against mandated sustainability targets associated with Federal buildings is supported by a variety of systems of record. While these systems of record are managed by the business line with operational responsibility for each of the sustainability goals led by PBS, this information is shared to inform decision-making. For example, GSA uses the Energy Use Analysis System (EAUS) to track energy and water use intensity performance at the building, regional and portfolio levels. EUAS data in turn is used to verify ongoing performance of certain new construction and major alteration projects. Another example is the collaboration and sharing of data maintained by three different operational business lines to track agency conformance against the Guiding Principles for High Performance and Sustainable Buildings in GSA's portfolio of owned buildings and leased space.

GSA completed several actions to strengthen its project delivery program and collect quality data, per OIG's Recovery Act Sustainability Data Audit (report A130128, dated March 31, 2015). Specifically: (1) Policy now requires sustainability data updates to be completed within 60 days after the start of each gBUILD data call, and a new *Regional Approval Process for gBUILD Data* complements ongoing Quality Reviews. (2) gBUILD has a new "Challenge/ not on track" minimum performance criteria (MPC) status option, and displays all historical MPC statuses and comments. (3) A new *Sustainability Exemption Oversight Process* validates MPC statuses of N/A or Waiver.

### ***Diminishing returns on portfolio investments***

GSA's Energy and Water Conservation Measures Program (BA55) is designed to reduce on-site energy and water consumption through building alteration projects or retrofits of existing buildings systems. These projects are an important part of GSA's approach to reach mandated percentage reduction goals through 2025. Through surveys and studies, GSA is identifying projects in Federal buildings across the country with positive savings-to-investment ratios and with reasonable payback periods. GSA pursues opportunities to invest in certain technologies that may generate rebates and savings from utility companies and incentives from grid operators. Also, GSA's Energy Savings Performance Contracts (ESPC) National Deep Energy Retrofit program bundles short and long term payback projects using blended Energy Conservation Measure calculations. Both the ESPC and BA55 programs have successfully funded technologies by finding the optimum modernization of mechanical systems in the most rewarding utility cost market conditions that allows for sufficient returns on investments. This strategy mitigates diminishing returns on investments as we continue to improve energy efficiency throughout our building portfolio.

For new construction and major alterations, GSA selects projects based on wide-ranging criteria, including agency mission requirements, facility condition, reducing the Government's environmental footprint, return on investment, the extent to which each building needs improved energy performance, fire/life safety concerns, occupant well-being, lease cost avoidance and historic significance. Investments to increase energy efficiency do not always include payback as a performance criteria but even when they do, it is not the only consideration. Performance is a larger area of emphasis and includes reductions in fossil fuel use and greenhouse gas emissions, among other results that are tracked against design targets. GSA selects and delivers projects that balance cost-effectiveness against future energy and water reduction targets. Some investments combine different types of work to yield sound long-term value, and GSA recognizes that energy savings are just one type of return.

### **Implementing GSA's Mobile Workforce Strategy**

**ISSUE:** GSA's implementation of its mobile workforce strategy faces multiple challenges.

**RESPONSE:** GSA's model workplace initiative is designed to improve its ability to manage an increasingly mobile workforce by creating activity-based workplaces that leverage the latest technologies, support collaboration and focus work, and improve employee well-being and performance. GSA's initiative to improve its internal workplace through the creation of equitable, sustainable and highly utilized workplaces has resulted in significant reductions in both office and warehouse space since the establishment of the FY 2012 Freeze the Footprint baseline. GSA went beyond maintaining the baseline, and actually reducing its footprint in each following fiscal year.



Reductions through FY14 equate to a 15 percent decrease in USF from the 2012 baseline, which equals GSA's original 3-year Freeze the Footprint goal. The rightsizing of GSA workspace has led to a substantially improved allocation rate across GSA's internal portfolio. For the FY 2016 Reduce the Footprint plan, the Office of Administrative Services has partnered with the PBS to develop a portfolio-based approach to space reduction projects, ensuring that portfolio strategies such as backfill risk and projected return on investment are taken into account when identifying model workplace projects.

GSA continues to leverage mobile workplace strategies such as telework, hoteling, and desk sharing to support model workplace projects which support new ways of working. To better understand the costs and benefits of telework, GSA has implemented a tracking tool to accurately identify and track virtual (full-time telework) agreements. This tool allows a "real time" count of these agreements. GSA has verified and corrected, as appropriate, official worksite/duty station designations and corresponding locality pay for virtual and satellite workers. Telework and other mobile work approaches. GSA will continue to assess the effectiveness of the model workplace strategy and to strengthen the controls that monitor the program.

# Summary of Financial Statement Audit and Management Assurances (Unaudited)

**Table 1. Summary of Financial Statement Audit**

Audit Opinion: Unmodified

Restatement: No

MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
Financial Management and Reporting	1	0	1	0	0
Total Material Weaknesses	1	0	1	0	0

**Table 2. Summary of Management Assurances**

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance: Unqualified						
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Financial Management and Reporting	1	0	1	0	0	0
Total Material Weaknesses	1	0	1	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance: Unqualified						
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance: Unqualified						
NON-CONFORMANCES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None	0	0	0	0	0	0
Total Non-conformances	0	0	0	0	0	0
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	GSA			AUDITOR		
1. System Requirements	No lack of substantial compliance noted			No lack of substantial compliance noted		
2. Accounting Standards	No lack of substantial compliance noted			No lack of substantial compliance noted		
3. USSGL at Transaction Level	No lack of substantial compliance noted			No lack of substantial compliance noted		

# Schedule of **Spending** (*Unaudited*)

**T**he following Schedule of Spending presented below is an overview of the FY 2015 resources of GSA and how they were used. This schedule is presented to help the public better understand what money is provided to GSA, how GSA spent that money, and to whom the money was paid. Simplified terms were used to improve understanding of budgetary accounting terminology used on the CSBR, on page 111.

*What Money is Available to Spend* represents the authority that GSA was given to spend by law and the status of that authority. In this section:

- Total Resources represents amounts approved for spending by law.
- Less Amount Available but Not Agreed to be Spent represents amounts that GSA was allowed to spend but did not take actions to spend.
- Less Amount Not Available to be Spent represents the amount of total budgetary resources that were not approved for spending.
- Total Amounts Agreed to be Spent represents the amount of spending actions taken by GSA for the fiscal year. This represents contracts, orders and other legally

binding obligations of the federal government to pay for goods and services when received.

*How was the Money Spent* provides additional details, by major cost category, of the Total Amounts Agreed to be Spent.

*Who did the Money go to* identifies the major recipients, by federal and non-federal entities, of Amounts Agreed to be Spent.

The data contained in USASpending.gov does not align perfectly with data in the Schedule of Spending or the Statement of Budgetary Resources. Differences in timing and recording requirements contribute to this variance between amounts reported in this schedule versus GSA's contract data presented on the USA Spending.gov website. For example, USASpending.gov does not require that transactions under \$25,000 be reported nor does it include salary and wage data for federal employees, federal retirement and disability benefits, utilities, leases, and intra-government expenditures and transfers, which are included in the Schedule of Spending and the Statement of Budgetary Resources.

# Schedule of Spending

For the Fiscal Years Ended September 30, 2015 and 2014  
(Dollars in Millions)

	Federal Buildings Fund		Acquisition Services Fund		Other Funds		GSA Totals	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>What Money is Available to Spend?</b>								
Total Resources	\$15,206	\$15,214	\$12,363	\$12,832	\$1,218	\$1,216	\$28,900	\$29,262
Less Amount Available but Not Agreed to be Spent	4,205	4,442	1,849	2,074	59	89	6,226	6,605
Less Amount Not Available to be Spent	14	23	-	-	167	158	181	181
<b>Total Amounts Agreed to be Spent</b>	<b>\$10,987</b>	<b>10,749</b>	<b>\$10,514</b>	<b>10,758</b>	<b>\$992</b>	<b>\$969</b>	<b>\$22,493</b>	<b>22,476</b>

<b>How was the Money Spent?</b>								
Building Leases	5,731	5,770	26	28	43	41	5,800	5,839
Mission Support & Consulting Services	740	865	5,046	4,847	299	282	6,085	5,994
Operations & Maintenance	1,586	1,406	172	179	14	39	1,772	1,624
Personnel Salaries/Benefits	667	679	392	386	426	420	1,485	1,485
Other Contractual Services	408	411	351	368	115	99	874	878
Land and Buildings	1,272	916	1	2	1	2	1,274	920
Equipment	81	73	2,296	2,538	50	45	2,427	2,656
Utilities	420	440	1	1	-	-	421	441
Communication	6	7	1,196	1,215	25	28	1,227	1,250
Supplies and Materials	11	12	975	1,123	2	1	988	1,136
Other	65	170	58	71	17	12	140	253
<b>Total Amounts Agreed to be Spent</b>	<b>\$10,987</b>	<b>10,749</b>	<b>\$10,514</b>	<b>10,758</b>	<b>\$992</b>	<b>969</b>	<b>\$22,493</b>	<b>22,476</b>

<b>Who did the Money go to?</b>								
Federal Entities	675	740	1,628	1,754	383	277	2,686	2,771
Non-Federal								
Commercial and Other Non-Federal Entities	9,804	9,492	8,586	8,706	294	380	18,684	18,578
Employees	508	517	300	298	315	312	1,123	1,127
<b>Total Amounts Agreed to be Spent</b>	<b>\$10,987</b>	<b>10,749</b>	<b>\$10,514</b>	<b>10,758</b>	<b>\$992</b>	<b>969</b>	<b>\$22,493</b>	<b>22,476</b>

# Improper Payments Elimination and Recovery Act (Unaudited)

Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA, Pub. L. 112-248). IPERIA amends the Improper Payments Information Act of 2002 (Pub. L. 107-300) and the Improper Payments Elimination and Recovery Act of 2010 (IPERA, Pub. L. 111-204), provide guidance on monitoring and reporting improper payments. IPERA requires agencies to continue their review of programs and activities annually to identify those susceptible to significant improper payments and updates the definition of significant improper payments. Significant improper payments is defined as gross annual improper payments in a program exceeding both the threshold of 1.5 percent and \$10 million of total program funding, or \$100 million in improper payments regardless of the improper payment percentage.

In June 2015, GSA requested OMB's approval to lower the risk of the ITS-Wide Area Network (WAN) program and Other Sensitive Payments (OSP) and remove these programs from the annual requirement to estimate improper payments in accordance with OMB M 15-02. GSA OCFO received GSA OIG concurrence for removal of the two requested programs.

A qualitative assessment of ITS-WAN payments in FY 2012 deemed ITS-WAN as highly susceptible to improper payments due to the complexities associated with the sub-program's payment process and invoice validation, the high volume of contract modifications, and the associated expertise required to validate payments. Subsequent quantitative assessments of ITS-WAN in FY 2013 and FY 2014 have resulted in extremely low error rates and total improper payments, demonstrating that mitigating controls have effectively reduced risk.

Fiscal Year	2013	2014
Improper Payment Error Rate	0.00%	0.00%
IPERA Error Threshold	1.50%	1.50%
Improper Payment \$	\$0.00	\$0.00
IPERA Threshold	\$10 million	\$10 million

In response to the publicized events at the 2010 Western Region Conference, OCFO qualitatively determined that GSA had a high risk for improper payments of discretionary

costs, defined as funds available for use at the discretion of management. These OSPs, are discretionary costs related to conferences, travel, speaking honoraria, gifts, training, and membership fees.

GSA reported the following improper error rates and improper payments for OSP for the past two years. Per OMB M 15-02, Question 17, these metrics demonstrate a documented minimum of two consecutive years of improper payments where both statutory thresholds were not exceeded.

Fiscal Year	2013	2014
Improper Payment Error Rate	1.67%	0.09%
IPERA Error Threshold	1.50%	1.50%
Improper Payment \$	\$0.30 million	\$0.01 million
IPERA Threshold	\$10 million	\$10 million

OMB approved GSA's request in July 2015.

GSA provides the following improper payment reporting details in accordance with IPERA, OMB Circular A-123, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments, and OMB Circular A-136, Financial Reporting Requirements.

## 1. Risk Assessment

IPERA requires that all agencies conduct a thorough review of their programs and activities that may be susceptible to improper payments annually, and requires that a re-baseline and review assessment be conducted at least once every three years for all programs not currently identified as high-risk. GSA's last review of all programs was conducted in FY 2012. Therefore, GSA was required to perform an assessment in FY 2015. For FY 2015, GSA performed a risk assessment for the following 12 programs:

- AAS
- ASF Overhead
- Building Operations
- New Construction and Major Renovations and Alterations
- GS&S
- Integrated Award Environment



- ITS
- Minor Renovations and Alterations
- Other Funds and General Management & Administration
- RWA
- Rental of Space
- TMVCS

GSA's process to assess each program used a questionnaire focused on the OMB risk factors that affect the likelihood of improper payments within the program. These factors included:

- **Age of Program** - Whether the program or activity reviewed is new to the agency or an older program with more mature internal controls
- **Complexity of Program** - Program complexity in determining the correct payment amount and the length of the program
- **Volume of Payments** - Volume of payment transactions
- **Nature and Eligibility Decision of Payments** - Complexity and subjectivity of payment approval process and whether payment eligibility decisions are made outside of the agency
- **Recent Program Changes** - Recent major changes in program funding, authorities, practices or procedures
- **Human Capital** - Experience, training, and size of payment staff; ability of staff to handle peak payment requirements; level of management oversight, and monitoring against fraudulent activity
- **Nature of Operating Environment** - Existence of factors which allow for loosening of controls; any known instances of fraud
- **Prior Audit Findings** - Significant deficiencies in the audit reports of the agency including but not limited to prior improper payment work, the agency Inspector General or the GAO or other relevant management findings
- **Payment Processing Controls** - Adequacy of the design and operating effectiveness of existing payment processing controls
- **Quality of Internal Monitoring Controls** - Adequacy of the design and operating effectiveness of monitoring controls
- **Shared Services** - Assessment risk factor to address GSA's recently implemented Shared Services agreement with USDA

The risk factors assessed are consistent with OMB Circular A-123, Appendix C risk factors that must be addressed at a minimum for the qualitative assessment.

Each of the risk factors was weighted to provide the ability to emphasize or de-emphasize a risk condition, depending on its relevance and significance to a particular type of program. Each weighted risk factor

was combined to calculate an overall risk score. Based on the risk assessment performed, GSA concludes there are no new programs identified as susceptible to improper payments.

## 2. Statistical Sampling

For FY 2015, GSA measured, estimated and reported improper payment percentage and dollars for three high risk programs. A stratified sampling design was used to test payments based on FY 2014 disbursements. The design of the statistical sample plans and the extrapolation of sample errors across the payment populations were completed by a statistician.

The sampling plan provided an overall estimate of the percentage of improper payment dollars within +/-2.5 percent precision at the 90 percent confidence level, as specified by OMB M-15-02 guidance.

Using a stratified random sampling approach, payments were grouped into mutually exclusive "strata," or groups based on total dollars. A stratified sample can provide greater precision than a simple random sample of the same size, once the overall sample size was determined using the Neyman Allocation Method.

The following procedure describes the sample selection process:

- Grouped payments into mutually exclusive strata;
- Assigned each payment a random number which was generated using a seed;
- Sorted the population by stratum and random number within stratum; and
- Selected the number of payments within each stratum (by ordered random numbers) following the sample size design. For the certainty strata, all payments are selected.

To estimate improper payment dollars for the population from the sample data, the stratum specific ratio of improper to total payment dollars was calculated.

### Hurricane Sandy Disaster Relief Fund

In accordance with Section 904(b) of the Disaster Relief Act, GSA estimated and measured the use of the funds as it was required to be reported as "susceptible to significant improper payments" for the purposes of the Improper Payments Information Act (IPIA) of 2002 (IPIA; Public Law 107-300). For FY 2014 GSA had \$11,434.00 in obligations and \$569,131 in outlays. In FY 2015 GSA had \$415,856 in outlays. Due to the immateriality of the amounts GSA did not test these transactions.

### 3. Improper Payment Reporting

The original risk assessment performed for FY 2012 identified two programs and three activities as susceptible to significant improper payments. In June, 2015, GSA requested relief as allowed under OMB M-15-02 from the annual reporting requirements for four programs. These four programs have documented at least two consecutive years of improper payments that were below the statutory threshold. This request for relief was submitted to OMB, and subsequently approved for two of the requested programs: Other Sensitive Payments and ITS-Wide Area Network activities.

See **Table 1** Improper Payment Reduction Outlook on page 116.

### 4. Improper Payment Root Cause Categories

The improper payment assessment identified the root cause for improper payments for the Rental of Space, Building Operations - Utilities and Purchase Card programs as Administrative and Documentation errors made by the agency and insufficient documentation to determine proper payment.

See **Table 2** Improper Payment Root Cause Category Matrix on page 116.

### 5. Corrective Actions

GSA has no programs or activities with improper payments exceeding the statutory thresholds<sup>1</sup> and determined to be susceptible to significant improper payments.

### 6. Internal Control Over Payments

GSA has no programs or activities with improper payments exceeding the statutory thresholds and determined to be susceptible to significant improper payments.

### 7. Accountability

GSA has no programs or activities with improper payments exceeding the statutory thresholds and determined to be susceptible to significant improper payments.

### 8. Agency information systems and other infrastructure

GSA has no programs or activities with improper payments exceeding the statutory thresholds and determined to be susceptible to significant improper payments.

### 9. Barriers

GSA has not identified any statutory or regulatory barriers, which may limit GSA's ability to implement corrective actions to reduce improper payments.

### 10. Recapture of Improper Payments Reporting

In FY 2015, GSA considered all programs and activities that expended \$1 million or more annually for payment recapture audits. GSA focused on reviewing the PBS Rental of Space program based on the risks identified from previous years. This included in-depth reviews of lease contracts and related payments in 6 of 11 regions. Additionally, GSA performed a duplicate payments review for PBS and FAS payments.

GSA establishes claims in accordance with the Debt Collection Improvement Act. Unsatisfied debt is referred to the Treasury Offset Program for further collection efforts. Last year's statutory OIG audit identified differences in the FY 2014 AFR reporting.<sup>2</sup>

See **Table 3** Improper Payment Recaptures with and without Audit programs on page 117.

GSA's payment recapture audit identified claims related to the rental of space program. These programs are funded through a revolving fund. Therefore, funds recaptured are credited back to their original purpose.

See **Table 4** Disposition of Funds Recaptured Through Payment Recapture Audits on page 117.

GSA starts aging overpayments when they are detected, that is, certified by the program office and approved by the Payment Recapture Program Manager.

See **Table 5** Aging of Outstanding Overpayments Identified in the Payment Recapture Audits on page 118.

<sup>1</sup>Statutory threshold is defined in OMB Circular A-123 Appendix C Part I.A.9 Step1 as gross annual improper payments in the program exceeding (1) both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the fiscal year reported or (2) \$100,000,000

<sup>2</sup>OIG Report can be found at the GSA OIG website.

## **11. Additional Comments**

GSA continues to highly prioritize its improper payment reduction and recovery efforts. Process improvements efforts are on-going and GSA continues to make additional improvements as issues are identified.

## **12. Agency Reduction of Improper Payments with the Do Not Pay Initiative**

GSA participates in the continuous monitoring program to review the vendor master database file. When enrolling in Do Not Pay, GSA elected to match against the Death Master File (DMF) and the General Services Administration's Excluded Parties List System (EPLS) database. The enrollment process included evaluating which Do Not Pay database options were available to GSA to determine which ones would meet our needs based on the types of work GSA does. The Do Not Pay agency coordinator also provided guidance to GSA in making this determination. As other databases become available for Do Not Pay, GSA will work with our agency coordinator to assess if GSA should pursue enrolling for a new database option. The GSA vendor table is transmitted to Do Not Pay on the 10th of every month. GSA extracts the resulting

matches and researches them for both the EPLS Private matches Social Security Number and DMF. Vendors that have exclusions are annotated and inactivated in the GSA vendor master database file. No corrections to the SAM/EPLS Private database have been identified by GSA in our review process. Additionally, GSA utilizes the online single search Do Not Pay functionality to check for any matches prior to establishing a new vendor record in the GSA vendor table. Our first vendor file was reviewed as of March 2013.

GSA also receives results for our payments processed on a daily basis from Do Not Pay. These results reflect matches to the SAM Exclusion Records and to Deceased Individuals Records as a result of post payment matching of GSA payments schedules to these databases. The payment matches and exclusion information are reviewed in the Do Not Pay Portal. Once they are reviewed, the payments are adjudicated as proper or improper. The first payment files were reviewed in March 2013. GSA is responsible for, Agency Location codes 47000016, 47000017 and 47000018.

See **Table 6** Results of the Do Not Pay Initiative in Preventing Improper Payment on page 118.

**Table 1 Improper Payment Reduction Outlook (in millions)**

Program or Activity	PY Outlays	PY IP%	PY IP \$	CY Outlays	CY IP%	CY IP\$	CY Over Payment \$	CY Under Payment \$	CY+1 Est. Outlays	CY+1 IP%	CY +1 IP\$	CY+2 Est. Outlays	CY+2 IP%	CY+2 IP\$	CY+3 Est. Outlays	CY+3 IP%	CY+3 IP\$
Rental of Space	\$5,591.77	0.68%	\$38.02	\$5,745.95	0.12%	\$6.90	\$2.65	\$4.22	\$5,550.00	0.119%	\$6.60	\$5,725.00	0.118%	\$6.76	\$5,724.00	0.117%	\$6.70
Building Operations-Utilities	\$376.86	0.88%	\$3.32	\$369.87	0.01%	\$0.04	\$0.00	\$0.02	\$354.00	0.009%	\$0.03	\$354.00	0.008%	\$0.03	\$354.00	0.007%	\$0.02
Purchase Cards	\$33.88	8.68%	\$2.94	\$30.22*	6.55%	\$1.98	\$1.98	\$0.00	\$27.03	6.50%	\$1.76	\$27.03	6.45%	\$1.74	\$27.03	6.40%	\$1.73
<b>TOTAL</b>	<b>\$575,133.51</b>	<b>0.01%</b>	<b>\$44.28</b>	<b>\$422,002.04</b>	<b>0.00%</b>	<b>\$8.92</b>	<b>\$4.63</b>	<b>\$4.24</b>	<b>\$5,931.03</b>	<b>0.14%</b>	<b>\$8.39</b>	<b>\$6,106.03</b>	<b>0.14%</b>	<b>\$8.53</b>	<b>\$6,105.03</b>	<b>0.14%</b>	<b>\$8.45</b>

\* Purchase Cards CY Outlays are based on FY 2014 payments

\*\* Amounts for Hurricane Sandy are immaterial and therefore not reported on this table.

**Table 2 Improper Payment Root Cause Category Matrix**

Reason for Improper Payment		Rental of Space		Building Operations- Utilities		Purchase Cards	
		Overpayments	Underpayments	Overpayments	Underpayments	Overpayments	Underpayments
Program Design or Structural Issue							
Inability to Authenticate Eligibility							
Failure to Verify:	Death Data						
	Financial Data						
	Excluded Party Data						
	Prisoner Data						
	Other Eligibility Data (explain)						
Administrative or Process Error Made by:	Federal Agency	\$2.01	\$4.22		\$0.02	\$0.70	
	State or Local Agency						
	Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars)						
Medical Necessity							
Insufficient Documentation to Determine		\$0.64				\$1.28	
Other Reason (a) (explain)							
Other Reason (b) (explain)							
<b>TOTAL</b>		<b>\$2.65</b>	<b>\$4.22</b>		<b>\$0.02</b>	<b>\$1.98</b>	

**Table 3 Improper Payment Recaptures with and without Audit Programs (\$ in millions)**

[illegible]

### Table 4 Disposition of Funds Recaptured Through Payment Recapture Audits (\$ in millions)

	Amount Recover- ed (This amount will be identi- cal to the "Amount Recovered" in Table 4)	Type of Payment (contract, ben- efit, loan, or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Manage- ment Im- provement Activities	Original Purpose	Office of Inspector General	Returned to Treasury	Other (please explain in footnote or narrative)
Rental of Space	\$15.11	Contract		\$2.11		\$13.00			
<b>TOTAL</b>	\$15.11			\$2.11		\$13.00			



**Table 5 Aging of Outstanding Overpayments Identified in the Payment Recapture Audits (\$ in millions)**

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Amount Outstanding (0-6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount determined to not be collectible
Rental of Space	Contract	\$7.79	\$5.38	\$1.15	-

**Table 6 Results of the Do Not Pay Initiative in Preventing Improper Payments (\$ in millions)**

Program or Activity	Number of payments reviewed for possible improper payments	Dollars (\$) of payments reviewed for possible improper payments	Number (#) of payments stopped	Dollars (\$) of payments stopped	Number of potential improper payments reviewed and determined accurate	Dollars (\$) of potential improper payments reviewed and determined accurate
Reviews with the IPERIA specified databases	3,175,074	\$19,358.62	0	\$0.00	0	\$0.00
Review with databases not listed in IPERIA	3,175,074	\$19,358.62	0	\$0.00	0	\$0.00

# Other GSA Statutorily **Required** **Reports** (*Unaudited*)

## Debt Management

GSA reported \$137.5 million of outstanding debt from non-federal sources, subject to the Debt Collection Improvement Act of 1996 (DCIA). Of that amount, \$22.2 million or 16.1 percent of the outstanding debt was delinquent at the end of FY 2015. Non-federal receivables consist of debts owed on third-party claims, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

To comply with the DCIA of 1996, GSA transmits delinquent claims each month to the U.S. Treasury, Bureau of the Fiscal Service for cross-servicing collection. During FY 2015, the OCFO referred over \$10.9 million of delinquent non-federal claims to the Treasury for cross-servicing collection activities. Collections on non-federal claims during this period exceeded \$1.1 billion.

The OCFO has continued to implement and initiate actions to improve our debt collection efforts and reduce the amount of debt written off as uncollectible for GSA.

GSA actively pursues delinquent non-federal claims using installment agreements, salary offset, administrative wage garnishment, and any other statutory requirement or authority that is applicable. GSA continues to place a high priority on resolving delinquent accounts receivable and claims.

## Cash and Payments Management

The Prompt Payment Act, along with the DCIA, requires the timely payment of commercial obligations for supplies and services using electronic funds transfer. In FY 2015, GSA paid interest of \$201 thousand on disbursements subject to the Prompt Payment Act of \$17.2 billion, or \$11.66 in interest per million disbursed. The statistics for the current and preceding two fiscal years are as follows:

	FY 2013	FY 2014	FY 2015
Total Number of Invoices Paid	1,476,006	1,650,972	<b>1,900,160</b>
Total Dollars Disbursed	\$18.4 billion	\$17.5 billion	<b>\$17.2 billion</b>
Total Dollars of Interest Penalties	\$219,290	\$201,402	<b>\$201,183</b>
Interest Paid per Million Disbursed	\$11.88	\$11.51	<b>\$11.66</b>
Percentage of Invoices Paid On Time	99.5%	99.5%	<b>99.6%</b>
Percentage of Invoices Paid Late	0.5%	0.5%	<b>0.4%</b>
Percentage of Invoices Paid Electronically	91.5%	98.8%	<b>97.4%</b>

# Freeze the **Footprint** *(Unaudited)*

**T**he GSA is meeting and exceeding the requirement to freeze its own real property footprint. The FY2015 usable square footage of 5.13 million is a 23.0 percent reduction of its total workspace as compared to the FY2012 baseline of 6.67 million. GSA reduced its total workspace by approximately 23.0 percent since the FY 2012 baseline. GSA is accomplishing this by improving the utilization of space, through various workplace strategies, including: rightsizing individual, collaborative, and support spaces; desk-sharing; a continued emphasis on enabling and supporting mobile work; and shifting from traditional office space to more flexible, equitable, open-plan workplace environments.

In September 2013, GSA began implementation of its nationwide initiative with the vision of creating an inspiring workplace portfolio focused on enabling GSA's

workforce to improve service to the American taxpayer, boost innovation and collaboration, and build stronger connections between business lines and our customers while maximizing assets and better utilizing resources. Additionally, GSA has created an internal space allocation, design, and management policy, applied to GSA occupied space that:

- Establishes clear roles and responsibilities;
- Sets a 136-Usable Square Feet/person allocation limit on all new projects;
- Establishes a space utilization target of 70 percent;
- Establishes sizes for workstations;
- Sets limitations on private offices; and
- Focuses on design quality, including acoustics and ergonomics.

# Description of Independent and Central Offices (Unaudited)

**Office of Administrative Services (OAS):** OAS delivers innovative, responsive, timely, and sustainable policies and solutions for GSA's workspace and administrative needs for today and tomorrow. This fosters effective risk management, promotes integrity through cost-effective use of government resources across the Agency and supports GSA customers' missions.

**Office of the Chief Financial Officer (OCFO):** OCFO provides enterprise-wide budget, financial management, financial analysis, performance management, and strategic planning services to GSA business lines and staff offices.

**Office of GSA IT (GSAIT):** GSA IT serves the agency and the federal government with Innovative, Intuitive, and Integrated (I3) solutions through being efficient, strategic, and thought leaders. We provide high-quality IT solutions and services at the best value to fulfill GSA's mission.

**Civilian Board of Contract Appeals (CBCA):** CBCA encourages the prompt, efficient and inexpensive resolution of contract disputes through the use of alternative dispute resolution. It uses a variety of techniques intended to shorten and simplify, when appropriate, the formal proceedings normally used to resolve cases. The Board also provides to executive agencies, when jointly requested by an agency and its contractor, alternative dispute resolution services on contract-related matters not covered by the Contract Disputes Act, whether those matters arise before or after a contract has been awarded.

**Office of Communications and Marketing (OCM):** OCM works to support the American people, the federal government, and GSA through timely, responsive, and accurate communications.

**Office of Congressional and Intergovernmental Affairs (OCIA):** OCIA maintains Agency liaison with Congress; prepares and coordinates GSA annual legislative program; communicates GSA legislative program to OMB, Congress, and other interested parties; and works closely with OMB in the coordination and clearance of all proposed legislation impacting GSA.

**Office of Human Resources Management (OHRM):** OHRM primary focus is to help GSA attract, motivate, develop, retain, and reward our most valuable resource: our employees.

**Office of Civil Rights (OCR):** OCR ensures equal employment opportunity (EEO) for all GSA employees and applicants for employment on the basis of sex, race, color, national origin, religion, disability, age, and on the basis of genetic information; and protects employees from retaliation for protected EEO activity. OCR also ensures equal opportunity for recipients of GSA's federal financial assistance programs and participants in GSA's federally conducted programs. In addition, OCR administers GSA's Environmental Justice and Affirmative Employment Programs and adjudicates appeals in GSA's administrative grievance process.

**Office of Citizen Services and Innovative Technologies (OCSIT):** The Office of Citizen Services and Innovative Technologies (OCSIT) assists federal agencies in creating a better experience for the public by helping them build, buy and share digital services. OCSIT includes a fee for service digital services consultancy, 18F, whose mission is to transform the way the federal government builds and buys digital services. In the year and a half since its inception, 18F has had over 50 agency engagements and has built dozens of modular, interoperable and secure digital services across government. OCSIT also includes the federal government's largest IT shared service portfolio, offering both free and paid products to the federal government at scale. Products in this portfolio span three specific mission areas tied to the President's Management Agenda, including: Secure Cloud, Open Government and Data, and Customer Experience.

**Office of Mission Assurance (OMA):** The Office of Mission Assurance (OMA) ensures resilience and continuity of the agency's critical business processes by integrating and coordinating activities across all domains of security (physical, cyber, personnel, and industrial), HSPD-12 credentialing, emergency management, and contingency and continuity planning. OMA provides an enterprise-wide approach to mission assurance planning while ensuring the safety, privacy, and security of GSA facilities, people, and IT assets nationwide.

# Acronyms and Abbreviations

## (Unaudited)

AAS	Assisted Acquisition Services	IPA	Independent Public Accountant
AFR	Agency Financial Report	IT	Information Technology
ASF	Acquisition Service Fund	ITS	Integrated Technology Services
ARRA	American Recovery and Reinvestment Act	ITOR	Information Technology Oversight and Reform
BAAR	Billing and Accounts Receivable	MAS	Multiple Award Schedules
BA55	Energy and Water Conservation Measures Program	MCOC	Management Control Oversight Committee
CAP	Corrective Action Plan	MPC	Minimum Performance Criteria
CBCA	Civilian Board of Contract Appeals	NEAR	National Electronic Accounting and Reporting
CIO	Chief Information Officer	Networx	Networx Universal and Enterprise Contracts
CIP	Construction-in-Progress	NIST	National Institute of Standards and Technology
CSBR	Combining Statements of Budgetary Resources	NRHP	National Register of Historical Places
CSRS	Civil Service Retirement System	NS2020	Network Services 2020
CY	Current Year	OAS	Office of Administrative Services
DCIA	Debt Collection Improvement Act of 1996	OASIS	One Acquisition Solution for Integrated Services
DHS	Department of Homeland Security	OCFO	Office of the Chief Financial Officer
DM&R	Deferred Maintenance and Repairs	OCIA	Office of Congressional & Intergovernmental Affairs
DMF	Death Master File	OCISO	Office of the Chief Information Security Officer
DOI	U.S. Department of the Interior	OCM	Office of Communication and Marketing
DOL	U.S. Department of Labor	OCR	Office of Civil Rights
EASi	Electronic Acquisition System Integration	OCSIT/18F	Office of Citizen Services and Innovative Technologies/18F
EAUS	Energy Use Analysis System	OGP	Office of Government-wide Policy
EEO	Equal Employment Opportunity	OHRM	Office of Human Resources Management
EIS	Enterprise Infrastructure Solutions	OIG	Office of the Inspector General
EOP	Executive Office of the President	OMA	Office of Mission Assurance
EPLS	Excluded Parties List System	OMB	Office of Management and Budget
ESPC	Energy Savings Performance Contracts	OPM	Office of Personnel Management
FAS	Federal Acquisition Service	OSP	Other Sensitive Payments
FASAB	Federal Accounting Standards Advisory Board	PADC	Pennsylvania Avenue Development Corporation
FBF	Federal Buildings Fund	PBS	Public Buildings Service
FBWT	Fund Balance with Treasury	PCO	Procurement Contracting Officer
FCSF	Federal Citizen Services Fund	PCS	Physical Condition Survey
FECA	Federal Employees' Compensation Act	PMO	Program Management Office
FERS	Federal Employees Retirement System	PMR	Procurement Management Review
FFB	Federal Financing Bank	PP&E	Property Plant and Equipment
FFMIA	Federal Financial Management Improvement Act	PY	Prior Year
FISMA	Federal Information Security Management Act	R&A	Repairs and Alterations
FMFIA	Federal Managers' Financial Integrity Act of 1982	REXUS	Real Estate Across the United States
FMLoB	Financial Management Line of business	RFP	Request for Proposals
FMV	Fair Market Value	RRB	Ronald Reagan Building
FPS	Federal Protective Service	RWA	Reimbursable Work Authorization
FSSI	Federal Strategic Sourcing Initiative	SAM	System of Award Management
FTE	Full-time Equivalent	SF 133s	Reports on Budget Execution and Budgetary Resources
FTF	Freeze the Footprint	SFFAS	Statements of Federal Financial Accounting Standards
FY	Fiscal Year	SSA	Social Security Administration
GAAP	Generally Accepted Accounting Principles	TAFS	Treasury Account Fund Symbol
GAO	Government Accountability Office	TSP	Thrift Savings Plan
GSA	U.S. General Services Administration	TMVCS	Travel, Motor Vehicles, and Card Services
GSAIT	Office of GSA IT	USDA	U.S. Department of Agriculture
GSAR	General Services Administration Acquisition Regulation	USSGL	U.S. Standard General Ledger
GS&S	General Supplies and Services	U.S. Treasury	U.S. Department of the Treasury
IP	Improper Payments	WAN	Wide Area Network
IPERA	Improper Payments Elimination and Recovery Act of 2010	WCF	Working Capital Fund
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012		

Unaudited - See Accompanying Independent Auditors' Report





**U.S. General Services Administration**

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